EUROPE'S BUSINESS NEWSPAPER

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CHINA

HK governor takes message to Peking

Page 4

World News

Soviet Union raises gold price to fight inflation

The Soviet Government raised the price of jewellery and gold by 50 per cent in a bid to stop panic buying of the items as a hedge against gathering inflation and rumoured monetary reform.

The surprise move is the first significant retail price rise since the Supreme Soviet rejected attempts last year to impose new taxes. Page 16

HK Bill of Rights

Advisers to Hong Kong's governor rejected a draft of a Bill of Rights because it did not contain a provision to protect it from being overridden by Peking. Page 4

Panama death toll

The US Defence Department said it estimated that 220 civilians were killed in the US invasion of Panama last month, a figure well below earlier unofficial estimates of the civilian death toll.

Baker loses hope

US Secretary of State James Baker indicated he was losing hope of achieving a breakthrough in Middle East peace talks and signalled the US might drop its role as peace broker. Page 4

Montazeri detained

Iranian security forces raided the home of Ayatollah Hossein Ali Montazeri and detained him for several hours in the holy city of Qom at the weekend, the opposition group, People's Mujahideen, said. Page 4

Thai Cabinet switch

General Chatichai Choonhavan, Thailand's Prime Minister, switched two ministers in an attempt to defuse conflict with Bangkok's newly re-elected governor. Page 4

Six killed in strike

Six men were killed and 31 injured in a battle between striking and non-striking South African rail workers, the worst incident of violence in a 10-week dispute. Page 4

Swedish reshuffle

Swedish Prime Minister Ingvar Carlsson tried to strengthen his Government with a cabinet reshuffle which may signal a retreat from the country's commitment to phase out nuclear power. Page 2

India-Pakistan talks

The first formal contacts between V.P. Singh's new Indian Government and Pakistani leaders were made when an emissary of Pakistan Prime Minister Benazir Bhutto met the Indian External Affairs Minister. Page 4

Noriega fund frozen

Austrian justice authorities froze bank assets said to be worth more than $1m suspected of coming from illegal drug deals by ousted Panamanian dictator Manuel Noriega.

Boat people return

Some 240 Vietnamese boat people housed in Hong Kong camps will be flown home over the next week under a UN-sponsored programme of voluntary repatriation.

Sri Lanka strike ban

The Sri Lankan Government banned strikes, demonstrations and other political activities in workplaces and universities amid fears that rebels were planning a new offensive.

Taiwan deal off

France cancelled a deal to sell frigates to Taiwan after strong protests from China, French official sources said.

Bishop sold degrees

More than 200 people were sent for trial in Italy in connection with the alleged sale of phoney university degrees by a bogus bishop.

Business Summary

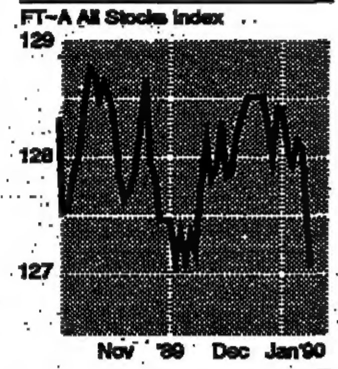
Paris Club calls meeting to discuss Polish needs

THE PARIS CLUB of creditor governments has called an unprecedented meeting to discuss Poland's financial needs over the next two years with the country's leading commercial bank lenders.

A meeting between the so-called Paris and London clubs to discuss a single country is thought to be without precedent and reflects concern by some governments that commercial banks may not be willing to make new loans to Poland. Page 16

ARGENTINA'S stock market bounced back from a massive plunge on Tuesday, but the Austral, the country's currency, continued to slip in the face of record inflation for last year. Page 16

UK Gilts



UK GILT prices fell sharply giving a dramatic end to a dull day. Analysts were divided over the reasons for the sudden lurch. The benchmark 11¾% Treasury Stock due 2003/07 was quoted at 109¼ to yield 10.45. Page 27

UAL, parent company of United Airlines, asked First Boston, its financial advisers, to come up with a plan for a leveraged recapitalisation which would enable it to make a substantial one-time payment to shareholders. Page 17

J.P. Mervis, UK corporate finance adviser, said the value of acquisitions made by UK companies in the US fell 17 per cent to $27.9bn last year. Page 17

NATIONAL BANK of Canada named two representatives to the board of Campeau, ailing Canadian real estate and retailing group. Page 20

APRICOT Computers, Britain's leading independent supplier of high-performance workstations is seeking an overseas partner to share development costs. Page 17

BANK of England has delayed publication of the credit-scoring framework against which UK banks calculate their provisions for loans to Third World countries. Page 8

MEXICO'S inflation rate in 1989 was 19.7 per cent, the lowest for 10 years, but showed an accelerating trend in December. Page 6

WACOAL, Japanese group and world's largest lingerie producer, plans to open a plant in France. Page 3

AUSTRALIAN syndicate of bank lenders to the troubled Bond Corporation failed to reach unanimity on its decision to place its brewing assets in receivership. Page 18

HOFFMANN-La Roche, Basle-based pharmaceuticals and chemicals group, posted a 21 per cent climb in 1989 sales to $6.45bn. Page 18

SUZUKI, Japanese car-maker, has opened way for investment in Eastern Europe with an agreement to build a $136m plant in Hungary. Page 3

ELSEVIER and VNU, two of The Netherlands' top publishers, plan to take a 38 per cent stake in RTL-Veronique, the first and only Dutch commercial TV channel. Page 18

Gorbachev faces challenge of further ethnic unrest

By Quentin Peel in Moscow

THE NATIONALIST challenge to Moscow's authority intensified yesterday as Mr Mikhail Gorbachev, the Soviet leader, faced growing unrest in the republic of Azerbaijan and the threat of mass demonstrations in Lithuania.

An upsurge in ethnic protest and violence was reported yesterday in Baku, the Azerbaijani capital, and the disputed territory of Nagorno-Karabakh, where Azeris are locked in virtual civil war with the local Armenian population.

The renewed violence in Baku came as the Soviet authorities moved swiftly to defuse mass demonstrations by ethnic Azeris along the border with Iran, promising easier cross-border movements, and the release of more land for local farmers.

At the same time the nationalist challenge at the other end of the Soviet empire, in the Baltic republic of Lithuania, showed no sign of abating in the face of the combined onslaught of Communist Party heavyweights from Moscow.

Mr Vadim Medvedev, the party ideology chief leading a vanguard for Mr Mikhail Gorbachev's visit on Thursday, was greeted by hundreds of demonstrators yesterday supporting the local Communist Party's decision to break away from the Soviet ruling party.

Sajudis, the Lithuanian national movement, has called for a mass rally in the capital Vilnius tomorrow to greet the Soviet leader, and demonstrate the people's desire for outright independence.

Just as the situation appeared to be stabilising in the frontier region with Iran yesterday, a top-level delegation of Communist Party leaders from Baku and Moscow was deliberately snubbed by Armenian communists in Stepanakert, the capital of Karabakh, yesterday, when they flew to the strife-torn region.

The purpose of the visit, led by Mr Andrei Girenko, a secretary of the party central committee in Moscow, and Mr Abdul-Rahman Vezirov, the Azerbaijan party leader, was to introduce Mr Vladimir Foteyev, Moscow's new observer in the region. Instead, according to local journalists, the visitors abandoned their trip and returned to Baku.

The latest setback came 24 hours after tens of thousands of Azeri refugees from Karabakh and Armenia itself held another huge demonstration in Baku's Lenin Square calling for "groups of militants" to be sent to the mountain territory "for the restoration of Azerbaijani sovereignty," according to Radio Moscow's news service.

The demonstrators denounced the Communist Party government in the republic for failing to impose its own authority in Karabakh, where the Soviet Interior Ministry has imposed virtual martial law.

Latest reports said that rail traffic into the region was stopped at the weekend when a powerful explosion damaged a

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Airbus threatens BAe with $40m demand as strike hits output

By Paul Betts and Charles Leadbeater in London

AIRBUS Industrie, the European aircraft manufacturing consortium, is threatening to present British Aerospace, its UK partner, with a bill which could be more than $40m for lost production so far as a result of a nine-week-old strike at BAe's Chester and Preston plants in the north-west of England.

The strike will halt all final assembly of Airbus aircraft at the company's plant in Toulouse, France, next week, because BAe is no longer supplying wings for the airliner.

The nine-week strike at BAe is estimated to have cost Airbus about $100m as a result of layoffs in various plants in France, West Germany and Spain as well as in the UK.

It is understood BAe has been warned that Airbus is considering invoking an article in the group's regulations which would force BAe to pay at least 40 per cent of the costs incurred by Airbus as a consequence of the strike. This is likely to provoke a bitter row within the consortium.

BAe is likely to challenge the move to use Article Seven of the Airbus regulations. The company will argue that the article has no relevance to the industrial dispute over the engineering union's campaign for shorter working hours.

The decision to halt production could damage Airbus' credibility with its customers as Boeing, one of its main competitors, is building up production after settling a lengthy strike at its plant in Seattle, USA.

Mr Sid Gillibrand, chairman of BAe's aerospace companies, said all the partners in the consortium wanted the dispute settled.

Although there have been extensive discussions of the costs there was no figure for the bill for the strike and cost of restarting production once it was settled, Mr Gillibrand said.

He denied the strike would damage BAe' relations with the other partners – Messerschmitt-Bölkow-Blohm of West Germany, Aérospatiale of France and Casa, the Spanish company.

Mr Jean Pierson, the Airbus chief executive, said in Paris yesterday all final assembly was expected to grind to a halt in the next few days

Under Article Seven of Airbus's internal regulations, a partner is liable to pay 25 per cent of the costs if it is unable to fulfill its worksharing commitments.

The partner is also liable to pay for its share of the remaining 75 per cent of the exceptional costs incurred by the four-nation consortium.

BAe has a 20 per cent stake in the consortium. It would thus have to pay 25 per cent of the estimated $100m costs so far incurred as well as a fifth of the $75m balance.

This estimated liability of $40m could increase as the strike continues.

Earlier this week, engineering union leaders said they were preparing to target further BAe plants for action after other companies had reached agreement over shorter working hours.

Mr Gillibrand said the settlement of the dispute depended on whether the unions would agree to call off the strike to allow detailed talks on productivity gains to finance a cut in the working week to 37 hours.

At its peak before the strike, Airbus was producing 12 aircraft a month to meet an order book which has grown to 1,331.

By last month it was reduced to two aircraft a month.

The production halt will lead to layoffs at Toulouse and in West Germany, where Airbus aircraft are sent for final fitting but, as well as in Spain. Airbus suggested yesterday this could involve more than 1000 employees of the various Airbus partners.

Airbus Industrie and its continental European partners have become increasingly critical of BAe's handling of the dispute over working hours in the UK.

Mr Pierson said that had the consortium realised the strike would last so long, it would have shut down production last November to "precipitate a crisis."

European Airbus, Page 6

James Guerin, former chairman of International Signal and Control (right) arrives to give a deposition at a Lancaster, Pennsylvania law office yesterday with his attorney Joseph Tate

Guerin steps in from the cold

By Richard Donkin in Lancaster, Pennsylvania

MR JAMES GUERIN, former deputy chairman of Ferranti International, came in from the cold yesterday. The 59-year-old businessman at the centre of investigations into a $215m fraud turned up at a lawyer's office in Lancaster, Pennsylvania, to face questions in a civil court action.

This was his first public appearance since the Ferranti scandal broke in September. Mr Guerin, walking behind Mr Joseph Tate, his lawyer, said "Good morning" to waiting newspaper photographers but refused to comment further, as he stepped into the offices of Mr Joseph Roda, the lawyer for Mr William Clark, one of Mr Guerin's former associates.

A priest at the Landisville Church of God, where Mr Guerin used to be an enthusiastic member of the congregation, said the former member of his flock had been singing in the choir on Sunday.

Mr Roda had prepared a lengthy deposition, which he said contained a wide range of questions that would keep Mr Guerin occupied a full day, whether or not he chose to invoke his right to remain silent.

Mr Clark is the former legal adviser to International Signals and Control, the Lancaster-based Ferranti subsidiary

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Eurotunnel's lead bankers to release crucial extra funds

By David Lascelles and Kevin Brown in London and William Dawkins in Paris

A SHUTDOWN of the £7bn ($11.5bn) Channel tunnel project was averted last night when Eurotunnel's lead bankers decided to release enough funds to keep the consortium going for three months while further talks are held.

The decision defuses the financial crisis which blew up in October when Eurotunnel announced that the project's cost had risen from less than £5bn to more than £7bn.

It follows a partial agreement on cost control late on Monday night between Eurotunnel and Transmanche-Link, its construction contractors.

The 22 leaders of Eurotunnel's international syndicate of 208 banks spent most of yesterday examining the project at the agent banks' offices in London. After intense discussions, they decided that Eurotunnel should be allowed to draw down around £390m of a £5bn line of credit which was frozen in October.

However, Eurotunnel has been told that their decision is subject to conditions which will require Eurotunnel and Transmanche to complete their agreement on cost cutting.

The decision must also be approved by the 186 other members of the consortium.

This will be done by means of a "road show" by the agent banks beginning on January 19 in London and continuing to Paris, Frankfurt and Tokyo. Japanese banks have the largest single share of the bank finance in the project.

After the presentations there will be a vote requiring a 65 per cent majority.

Approval would pave the way for negotiation of additional bank financing of about £1bn, which will be accompanied by a £350m rights issue in the second half of this year. This money is needed to finance the increase in the cost of completing the tunnel.

Yesterday's meeting began with an explanation by Eurotunnel of the terms of the cost-saving agreement with Transmanche.

The agreement provides for Transmanche to take a greater share of the risk of cost overruns by altering the machanism under which extra charges are divided between Transmanche and Eurotunnel. It also caps the fees earned by Transmanche from rolling stock procurement, and provides for slower running of shuttle trains and management changes at Eurotunnel, probably by a reduction in the size of the consortium's project implementation division, which monitors Transmanche.

Transmanche will be given greater incentives for completing the tunnel by the target date of June 1993, but final agreement is not thought to have been reached on the consortium's demands that the date when penalties for delays come into effect should be put back from August to October.

Transmanche and Eurotunnel are to go to arbitration on costs of more than £380m relating to fixed investments such as terminal costs.

MARKETS

STERLING
New York: $1.6745 (1.6540)
London: $1.654 (1.6535)
DM2.7825 (2.76)
FFr9.4775 (9.41)
SFr2.525 (2.52)
Y240.25 (238.25)
£ index 87.8 (87.2)

GOLD
New York: Comex Feb $406.2 (405.0)
London: $403.75 (404.75)

N SEA OIL (Argus)
Brent 15-day Feb $20.3 (+0,2)

Chief price changes yesterday: Page 17

DOLLAR
New York: DM1.6745 (1.6675)
FFr5.7075 (5.6895)
SFr1.5162 (1.5245)
Y144.975 (144.175)
London: DM1.682 (1.6690)
FFr5.73 (5.6910)
SFr1.5265 (1.5235)
Y145.20 (144.05)
$ index 67.1 (66.7)
Tokyo close: Y144.97

US LUNCHTIME RATES
Fed Funds 8¼%
3-mo Treasury Bills: yield: 7.793%
Long Bond: 100 [illegible]
yield: 8.088%

STOCK INDICES
FT-SE 100: 2,466.3 (+5.0)
FT Ordinary: 1,956.5 (+11.5)
FT-A All-Share: 1,218.02 (+0.2%)
New York: DJ Ind. Av. 2,786.00 (-26.37)
S&P Comp. 354.12 (+0.33)
Tokyo: Nikkei 37,851.46 (−343.50)

LONDON MONEY
3-mo Interbank: close 15⅛-15[illegible]% (15[illegible])
Liffe long gilt future: Mar 90[illegible] (91[illegible])

MARKET REPORTS; CURRENCIES, Page 38; BONDS, Pages 26,27
COMMODITIES, Page 30; EQUITIES, Pages 31 (London) 39 (World)

CONTENTS

Impasse on international farm trade rules still looms

Mr Clayton Yeutter, US Agriculture Secretary, (left) has put the chance of agreement on reform of world farm trade by the end of the Uruguay Round as "50-50." He said "failure would be a costly proposition." Page 3

EUROPEAN NEWS

France drops Taiwan deal after Chinese objections

By William Dawkins in Paris

THE FRENCH Government yesterday scrapped controversial plans for a sale of six light frigates to Taiwan, which had been attacked vigorously by the Chinese Government.

The surprise reversal comes just a week after Paris authorised its naval dockyards to negotiate the more than FFr10bn ($1.76bn) contract with the Taiwanese authorities, despite serious diplomatic objections from China, which does not recognise the island state.

The change of decision was confirmed by French Government officials last night, but they are unwilling to reveal the reasons for the reversal until today.

China's French Embassy had warned that Peking was "resolutely opposed to the sale," which would constitute "direct interference in China's internal affairs." Franco-Chinese relations were already under strain because of the Paris Government's tolerance of Chinese dissidents' political activities in the French capital.

However, French officials refused to comment on suggestions that diplomatic pressure had anything to do with the change. The contract would have constituted the most important sale of European defence equipment to Taiwan since the Netherlands supplied it with two submarines in 1980. In retaliation, Peking immediately downgraded diplomatic relations with The Hague.

The abortive deal had been hailed as a significant boost for French arms exports, which amounted to a total FFr37.5bn in 1988, up on the previous year, but a serious fall from the peak of FFr62bn achieved in 1984.

France had argued that China was overplaying the naval importance of the contract. The 1,200-tonne La Fayette class frigates, capable of carrying helicopters, were to have been unarmed and fitted only with electronic surveillance gear. They are a new design, due to go into service with the French Navy in 1994.

E German growth only 2%

By Leslie Colitt

EAST GERMANY said its economy grew by 2 per cent last year, its lowest rate for decades, after an exodus of workers to the West.

National income (equal to Gross National Product minus services) was more than East German Marks 4bn below target, the State Planning Commission reported.

Industry suffered losses of up to Marks 80m a day in December, the first full month after the opening of the borders for virtually free travel to the West.

Nearly 344,000 East Germans left for West Germany last year, compared with 40,000 in 1988. Most émigrés were skilled workers and their families.

East Germany also recently reported a balance-of-payments deficit of $2.4bn last year after years of hefty surpluses.

Related to the shortfall in hard currency, Mr Horst Steinbach admitted to the (East) Berliner Zeitung that the Intrac trading company of which he is head had inexplicably lost substantial sums of hard currency last year.

He told the newspaper that the funds were to have been deposited in the Deutsche Handelsbank. Intrac earned nearly DM850m (£304m) last year.

Mr Steinbach's boss was Mr Alexander Schalck-Golodkowski, a former State Secretary wanted for alleged fraud, who had fled. Mr Schalck-Golodkowski was yesterday freed from detention in the West by a Berlin public prosecutor.

Mr Steinbach confirmed what was long suspected: some hard currency profits were made by trading silver on the London Metal Exchange. Some money was also made by "speculating" in dollars, he noted.

Mr Steinbach strongly suggested that the East German Foreign Trade Minister, Mr Gerhard Beil might know about the whereabouts of the missing funds.

Mr Beil was one of the few cabinet members to survive the fall last October of East Germany' leader, Mr Erich Honecker.

Thirty senior East German officials are under investigation for alleged corruption and misuse of office.

Warning on nationalist backlash

By David Goodhart in Bonn

THE West German Federation of Expellees, *Bund der Vetriebenen*, yesterday warned that any attempt to block German reunification could unleash a nationalist backlash in both German states.

Mr Hartmut Koschyk, the federation's general secretary, told a press conference in Bonn that "if the political centre does not properly address the national issue then it will be taken up by the extremes".

The 2m-strong federation was formed in 1950 to represent the 12m Germans expelled from various parts of Eastern Europe after the Second World War. Because of its attempts to keep alive German territorial claims, particularly in Poland, it is usually considered a bastion of the nationalist right.

In recent months its profile has been raised by the return of the national question and by the rise of the far-right Republicans, the party for which many of the Federation's members may be tempted to vote if the ruling Christian Democrats appear to weaken on nationalist claims.

It is the most significant lobby group defending the formally correct position that, because of the absence of a peace treaty, Germany continues to exist legally within its 1937 borders, which included much of what is now western Poland. The group's influence is thought to be one reason why Mr Helmut Kohl, the West German Chancellor, has not followed the opposition Social Democrats and leading members of his Government in formally accepting the existing German-Polish border.

The Federation's own position on the 1937 borders is not completely uncompromising. Mr Koschyk said yesterday that the 1937 borders were only a starting point for negotiations and he comes close to conceding territorial claims in exchange for guaranteed minority rights for groups such as the 1m Poles of German descent. "Not everything can be restored as it was," he admits.

EMS members resist a further realignment says Pöhl

SEVERAL important members of the European Monetary System are resisting a further realignment of the exchange rate mechanism after Italy's weekend devaluation of the lira, Mr Karl Otto Pöhl, president of West Germany's Bundesbank, said yesterday, *Reuter reports from Basle*.

Mr Pöhl, who is chairman of the European Community's central bankers committee, was speaking to reporters after a regular monthly meeting of the committee.

The Bundesbank has made plain its belief that the D-Mark should be broadly revalued within the EMS to reflect its new-found international strength and help cut West Germany's surplus in EC trade. But Mr Pöhl said: "A realignment of the EMS is not on the agenda because the major players in that system do not want it."

European monetary officials say the Bundesbank brought up its plan to revalue the mark against a range of EMS currencies ahead of the lira devaluation, but other member nations forced it to back down.

Despite the D-Mark's surge in the past two months, France has strongly resisted a D-Mark revaluation because it wishes to curb imported inflation.

When asked if the objections had stemmed from France, Mr Pöhl said: "I don't want to be more specific. I said the major players. I did not say one major player. I think that is specific enough."

Economists say France may have enlisted sympathy for its stand among such countries as Belgium, Denmark and Ireland. Their currencies have been pushing towards the bottom of the EMS grid and they had been expected to devalue with Italy.

Mr Pöhl, asked if West Germany wanted a D-Mark revaluation, said: "I don't think you can say that. The German position is more differentiated, I think. We are not asking for anything. I am not asking for anything. I have to be careful. That is a very delicate subject."

Any attempt by West Germany to force the issue would bring it into open conflict with France at a time when the Community is keen to emphasise its unity in the face of East bloc political upheavals and smooth the path towards monetary union.

Romanians given freedom to travel

By Judy Dempsey in Bucharest

ROMANIA'S ruling National Salvation Front yesterday introduced what is widely regarded as one of the most important reforms of the revolution to date: the right to travel.

Romanians will now be able to receive 10-year passports within 20 days of application.

After the news was announced, more than 1,000 Romanians besieged Bucharest's lone passport office. "We have accepted more than 1,000 applications this morning and there are at least another 200 waiting," Lieutenant-Colonel Dumitru David, deputy chief of the office, said.

The decree will do away with the past process whereby Romanians – apart from a privileged few – had first to seek permission to travel from their place of work, then seek initial travel application forms from the Securitate, the hated secret police.

Those finally allowed to travel had to leave their spouses and children behind, to make sure they would return.

Some members of the Front had hesitated about introducing such liberal travel rules for fear that it may give the Securitate the chance to flee the country.

But Mr Dumitru Mazilu, one of the more radical members of the Front and a veteran campaigner for human rights, said at the weekend that the right to travel was "a natural right. Freedom is freedom and the people should have this right."

Executed Romanian dictator Nicolae Ceausescu is depicted with a Nazi swastika and Dracula fangs in a bookshop window in the northern town of Cluj

Other sections of the Front had fought shy of the new decree on grounds that it might prompt a "brain drain". But as Mr Mazilu said yesterday: "If people are free in their own country, they will return."

Separately, the Front yesterday appealed for people to respect the law, in the light of growing suspicion that Securitate officers and Communist Party officials will not be brought to account for repression under the former Ceausescu government.

Two police officers were sentenced to 12½ years in prison yesterday for killing civilians who attacked police headquarters in the central Romanian town of Sibiu during last month's revolution.

An official in Sibiu said Captain Vanga Liviu and Senior Lieutenant Marcu Aurel were sentenced for killing two people and wounding 11 at the height of the December uprising.

On Monday a military tribunal passed the first verdict after the revolution, when a policeman in Sibiu was sentenced to nine years' imprisonment.

But if the new tribunals do not speed up the trials, the country could be faced with angry vigilante mobs. There are already unconfirmed reports from Arad, near the Hungarian border, of angry local inhabitants having stormed the police headquarters and lynched some policemen.

Repair plan for French N-stations

By Maurice Samuelson

THE FRENCH electricity industry has ordered an 18-month programme of inspection and repairs on 14 of its newest nuclear power stations, after the discovery of faults on important metal components.

The work focuses on the steam generators in the new-generation 1,300 Megawatt pressurised water reactor stations, which have replaced France's first generation of 900MW PWRs.

Electricité de France, which is 70 per cent reliant on nuclear power, says the work will be started during routine maintenance stoppages and will not affect operational safety and security of supplies.

But it describes the matter as serious and notes that it follows a spate of other difficulties which in 1989 left EdF with an operating loss of about FFr2.5bn (£266m).

Because of Europe's low rainfall, EdF's nuclear stations have lacked cooling water and hydro-electric production has fallen steeply. France, the continent's leading electricity exporter, was forced at the end of the year to import power from its neighbours, including Britain.

The PWR's steam generators, like the boilers in a conventional power station, raise the steam which turns the turbines. Last June, EdF engineers discovered a build-up of metallic sludge in the tubes of the steam generator at Cattenom II, in Lorraine.

Since then, faults have been investigated at St Alban II on the River Rhone, Nogent on the River Seine, and Paluel on the Normandy coast.

Stockholm cabinet reshuffle may weaken nuclear stance

By Robert Taylor in Stockholm

SWEDEN'S Prime Minister, Ingvar Carlsson, tried yesterday to strengthen his Government's waning authority, with a big cabinet reshuffle which may also signal a gradual retreat from the country's commitment to phase out its nuclear power programme.

Responsibility for energy has been taken away from the Ministry of the Environment and moved to a revitalised Industry Department, to be run by Mr Rune Molin, the deputy general secretary of Sweden's blue-collar union confederation, the LO. The influential Mr Molin has repeatedly said he opposes the rundown of the country's nuclear power if this hurts jobs and welfare.

The prime minister said yesterday, however, that the Government's non-nuclear commitment remained in force. Under a parliamentary decision made in 1988, all Sweden's nuclear power stations are to be closed by 2010, with the first two planned to close in 1995-96.

Mr Molin is a member of a recently-formed, four-strong inner policy group chaired by Mr Carlsson, which is working out a new energy policy. The group also includes Mr Stig Malm, the LO general secretary, and Ms Birgitta Dahl, the Environment Minister.

Mr Carlsson said yesterday that a definite energy proposal would be published by the Government in April, to go to next autumn's conference of the ruling Social Democrats.

Mr Molin's appointment to the industry department with responsibility for energy is a serious setback to Sweden's vocal anti-nuclear lobby.

Ms Dahl, their champion, remains as environment minister and her department has been given extra planning responsibilities. But her zealous commitment to a non-nuclear energy policy and unsympathetic attitude to her opponents had upset the trade unions and employers, who fear abolition of nuclear power would hit Sweden's industrial competitiveness.

The nuclear issue has proved bitterly divisive in Swedish politics since the middle of the 1970s, with the rise of a strong anti-nuclear movement. But half the country's electricity supplies come from its nuclear plants and alternative energy sources such as fossil fuels and water face are covered by stiff anti-pollution regulations.

Death wish embarrasses Belgians

By Tim Dickson in Brussels

A 42-year-old Belgian man condemned to death for murder just before Christmas is demanding his own execution, after being given an automatic royal pardon.

In a chilling communiqué from his prison cell, Mr Willy De Coene, who maintains his innocence of the crime, says he wants to "leave the world which has betrayed him" and that to get his way he intends to take the matter to the European Court of Human Rights or to the European Court of Justice.

In the process, however, he seems more likely to become a small piece of Belgian legal history than to establish any bizarre new principles of European law.

The grim situation has arisen because while death by execution was in effect abolished in Belgium after the First World War, the death penalty formally remains part of the country's legal code.

Politicians, it seems, have simply never got around to taking it off the statute book – an inconsistency that has not mattered up to now because from 1918 the king automatically and simultaneously commutes such sentences to "perpetual hard labour".

Belgium's Justice Minister, Mr Melchior Wathelet, has already seen the need to do something, and new legislation is currently being discussed by the Council of Ministers which would finally ratify the country's commitment under an international convention of a few years ago to abandon the death penalty.

Mr De Coene wants his country condemned for "handing down penalties which it does not carry out". His gesture will at the very least discourage any further political shilly shallying.

Bulgarian hardliners 'fuelling tensions'

HARDLINE Communists are fuelling nationalist tensions sweeping Bulgaria to try to divert the country from democratic reforms, opposition leaders said yesterday, Reuter reports from Sofia.

Tens of thousands of Bulgarians have protested against the Communist leadership's decision on December 29 to reverse an assimilation campaign against the country's 1.5m ethnic Turks and other Moslems.

Although demonstrators say their rallies and strikes were spontaneous, opposition activists say the protests were orchestrated by old-guard Communist officials in the provinces who are holding out against reforms being introduced in Sofia.

"Behind these demonstrations are political forces which are trying to turn attention away from themselves," Mr Georgi Spassov, spokesman for the Union of Democratic Forces, which groups the country's 11 leading opposition groups, said.

"These are people who organised the forced assimilation and those who used the resulting exodus of ethnic Turks as a way of getting cheap property."

The assimilation policy, instigated by former leader Mr Todor Zhivkov, required ethnic Turks and Bulgarian Moslems to change their names and curbed their religious and cultural practices.

The restrictions led to an exodus of up to 300,000 ethnic Turks to Turkey last summer and tarnished Bulgaria's image abroad. Some 50,000 of the emigrés have since returned.

Protesters 'playing on fears that concessions to Turks may mean end of independence'

Western diplomats in Sofia said many demonstrators from the provinces had been transported to Sofia in buses bearing official number plates. Some rallies were equipped with stages, loudspeakers and even soup kitchens.

"I believe someone must be behind this and it seems to be coming from local party officials out in the provinces which have not yet been touched by perestroika," one diplomat said.

Mr Konstantin Trenchev, leader of the independent trade union Podkrepa, said that those behind the protests were playing on the fears of many Bulgarians that concessions to the Turks could mean the end of Bulgarian independence, won after five centuries of Ottoman rule.

Mr Petar Mladenov, Bulgaria's Communist leader, has pledged support for the restoration of rights to the Moslem minority.

A report in the Communist Party newspaper Rabotnichesko Delo quoted Mr Mladenov as telling opponents of Moslem rights that Bulgaria's assimilation attempt had been a serious error.

Hastily-arranged talks between the party, the opposition, nationalists and Moslem representatives seem to have brought an end to the street protests.

Yesterday only about 50 people with tattered anti-Turkish banners braved freezing temperatures outside the National Assembly building where the protests have been taking place.

One Western diplomat in Sofia said the party leaders would have a chance to purge provincial hardliners during the next two weeks, when delegates are due to be elected for an extraordinary party congress on January 30.

● An official Bulgarian commission probing alleged corruption by government officials said yesterday it had collected enough evidence to start criminal proceedings against the disgraced Mr Zhivkov, Reuter reports from Sofia.

Commission spokesman Luben Kulishev told Bulgarian television investigations had revealed that huge amounts of state money had been used to publish a number of books by the former leader both in Bulgaria and abroad.

Lira realignment may curb Italy's free-spending politicians

John Wyles looks at the implications for Rome's budget deficit programme of the EMS readjustment last week

ITALIAN politicians, like most who play the democratic game, periodically devote themselves to a single objective – winning elections.

Their pursuit of this entirely honourable aim is aided by the congenital weakness of party discipline, which affords parliamentarians the happy freedom to write and pass spending laws irrespective of the Government's wishes.

This is the essential background to the five-party coalition's decision last weekend to abandon the freedom the lira has enjoyed for the past 10 years to fluctuate by 6 per cent either side of its central rate in the European Monetary System. The immediate political aim of its formal embrace of the narrower 2.25 per cent EMS margin is to subject unruly deputies to the disciplines of the currency markets.

The message which Prime Minister Giulio Andreotti wishes to drive home is that the parliamentary parties cannot enjoy their usual indulgences in the run-up to this year's *regional elections in May*.

He wishes them to understand that rewarding favoured clients with additional expenditure will undermine the credibility of the Government's budget deficit reduction programme.

The result could be higher inflation, declining market confidence in the lira and a politically embarrassing devaluation coinciding with Italy's assumption of the rotating presidency of the European Community in July.

But Mr Andreotti and his economy ministers have even more immediate objectives. Parliament's passage at the end of December of the 1990 budget with its deficit target of L133,000bn (£64bn, 10.2 per cent of gross domestic product) was a necessary condition for last week's move within the EMS.

But it was not sufficient to guarantee achievement of the budgetary targets, since the actual bills which raise a number of taxes and transport charges, cut financial transfers to local authorities and introduce health service savings have not yet been approved.

It is hoped that the EMS manoeuvre will concentrate political minds on the economic task in hand. However, it remains to be seen whether parliament can rise above its baser instincts, not least because the real economy continues to perform well despite the failure over the last four years to halt the rise in the nominal government deficit.

Just as membership of the EMS has helped to reduce domestic inflation by 15 points over the last 10 years, twice the average reduction of the other economies in the currency arrangement, so it is hoped that the narrower band will impose the necessary discipline this year to bring average price rises down from current levels of 6.6 per cent to around 4.5 per cent.

In theory, last weekend's 3.8 per cent devaluation of the lira against its EMS central rates could give the authorities some leeway to reduce interest rates, which in turn would help the budget deficit, very nearly 90 per cent of which can be attributed to interest payments.

It is hoped, therefore, that the EMS manoeuvre will concentrate political minds on the economic task in hand. However, it remains to be seen whether parliament can rise above its baser instincts, not least because the real economy continues *to perform well despite the failure* over the last four years to halt the rise in the nominal government deficit.

Real GDP growth last year was slightly over 3 per cent and should reach a similar level this year. Unemployment is gradually falling below 12 per cent as jobs are created in manufacturing industry and there is even evidence of some job creation in the south.

Moreover, the primary government deficit – the balance to be financed net of interest payments on the national debt – has fallen from around 3.8 per cent of GDP in 1987 to 2.1 per cent last year and is broadly on target for the medium-term aim *of a surplus equal to 0.5 per cent of* GDP by 1992.

Not only would this achievement be jeopardised by a pre-electoral spending spree, it could also light a fire under Italy's perennial economic problem – other than the budget deficit – which is its tendency to run a higher inflation rate than its main EC partners.

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Here the Government itself can help. Contracts for around 3m public employees must be renewed in the coming months and although, arguably, the coalition has committed itself to an excessively generous policy, it must now ensure that the deal is struck in line with its target of 1.5 percentage points above planned, rather than actual, inflation. This would mean a rise this year of 6 per cent.

Similarly, big private sector deals have to be negotiated this year – notably in engineering – against the background of so far unsuccessful attempts by Confindustria, the main industrialists' organisation, to secure trade union agreement to a pay restraint policy. Confindustria says that if present trends based on average annual increases of 8 per cent continue, then inflation will stay at present levels this year, the trade deficit will rise from around L19,000bn to L22,000bn by 1991, and the lira will be forced into a devaluation.

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However, much will depend on the inflation figures and the state of capital flows, the abundance of which helped push the lira up against the D-Mark for several months last year. Italian short-term rates, second only in altitude to Britain's, stand four points higher than the West German. Caution may also be in order in the run-up to the removal on July 1 of the two important residual Italian exchange controls: the right to purchase short-term foreign securities and to open bank accounts outside Italy.

The Bank of Italy has already told the Government that the move will have to be accompanied by a significant reduction of Italy's current 30 per cent tax on bank deposits if the danger of significant currency outflows is to be avoided.

The likely scenario is that interest rates will stay around *current levels*, while the Government will be forced to look for alternative revenues to compensate for cuts in the tax on bank deposits.

At the same time, it will almost certainly have to introduce additional measures later in the year to guarantee its budget deficit target, whether or not the parliament opts for a spending spree before the elections.

Most forecasters believe that health and welfare spending is barely controllable without structural reforms and that in the meantime the actual deficit could be between L137,000bn and L145,000bn. Without doubt, therefore, the markets will be focusing on the deficit and inflation, and the question is whether the tighter EMS disciplines will induce the Italian body politic to do the same.

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Suzuki's Hungary venture may lead investment wave

By Robert Thomson in Tokyo and John Griffiths in London

PROSPECTS of a wave of capitalist investment into a restructured Eastern Europe have been strengthened by Suzuki, the Japanese car-maker, reaching agreement with a Hungarian consortium to build a Y20bn (£85m) production plant – the largest Japanese joint venture in the region.

The Suzuki announcement comes as Japan is trying to expand economic links with Eastern Europe, and Mr Toshiki Kaifu, the prime minister, is en route to Hungary and Poland with technical and economical aid packages.

It comes less than a month after disclosure that General Motors is talking with the Hungarian authorities on at least one project expected to lead to a big manufacturing investment in Hungary by the world's largest vehicle maker. GM so far has refused to confirm reports that the venture involves the construction of a "greenfield" plant costing up to $400m (£250m) to supply engines to Opel, GM's West German-based cars subsidiary.

This would be easily the largest single inward investment in Hungary to date, eclipsing the $150m (£95m) venture announced in December, under which General Electric of the US is taking a 50 per cent stake in Tungsram, the Hungarian lighting manufacturer.

Events in Eastern Europe have generated great interest within Japan, and the Suzuki accord is seen as a landmark, although the protracted talks over contract terms have served as a warning to Japanese companies that agreements will not come easily.

Under the pact, a joint venture company, to be capitalised at Y10bn, will build the plant, which will have a production target of about 15,000 units of the Suzuki compact car, the Cultus, in 1992, with an intended annual output of 50,000 units after three years, and, later, 100,000 units. The factory is to be built at Esztergom, about 40km north of Budapest.

Suzuki will have a 30 per cent share in the venture, C. Itoh, the Japanese trading house, will have 10 per cent; the International Finance Corporation, the World Bank affiliate, will have 10 per cent, while a Hungarian consortium, headed by the bus maker, Ikarus, will take 50 per cent.

Talks began in 1985, but recently gathered momentum. Suzuki says the local content level in the first year of production should be 50 per cent, and aims to increase that figure to 70 per cent. Problems ironed out are understood to have included the level of local content for the 1,000cc and 1,300cc vehicles and investment insurance. The ratio of vehicle exports to EC countries has still to be finalised.

Taiwan set to lift Soviet trade ban

TAIWAN is expected to announce the lifting of a ban on direct trade with the Soviet Union in the next few days, Peter Wickenden reports from Taipei.

The move will undermine a long-standing political taboo within the staunchly anti-Communist Kuomintang Party. Curbs on direct dealings with most socialist nations were lifted early last year. After the Soviet Union, now considered an important trading partner, is opened to direct trade, only Albania, Cuba, North Korea and mainland China will be left on the banned list.

Trade with the Soviet Union has grown from virtually nothing two years ago to about $100m (£62.5m) last year. Taiwanese companies have found a ready market for personal computers, electronic goods, and garments, while the Soviet Union has been supplying Taiwan with chemicals.

Last year, Taipei ran up a trade surplus of at least $36m with Moscow. Taiwan's overall trade surplus rose to $13.9bn last year – 27.5 per cent up on 1988.

Its surplus with the US rose 15.1 per cent to $12bn. In current talks with the US, Washington is expected to urge import duties be cut on 1,048 items and various non-tariff barriers be removed.

Impasse on farm trade rules still looms

Long and tough talks lie ahead, writes Nancy Dunne, recently in Orlando, Florida

THE stage was set last week for renewed momentum towards the reform of international farm trade, when five of the world's most prominent agriculture officials met for the first "Quint" near Orlando, Florida.

But, because the players were not prepared to depart from their well-worn scripts, an impasse on farm trade rules still looms as a threat over the Uruguay Round as it enters its final year of negotiations.

Even the usually upbeat Mr Clayton Yeutter, US Agriculture Secretary, put the chance of agreement by the end of the round at a mere "50-50".

"Failure would be a costly proposition," he warned. It would take years to get agriculture trade reforms back on track by the General Agreement on Tariffs and Trade (Gatt) "or any successor organisation" of like-minded nations.

The "Quint", patterned after the informal "Quad" talks of the trade ministers representing the US, EC, Japan and Canada, was designed to facilitate co-ordination on agriculture issues of international importance.

Australia, as leader of the 14-member Cairns Group of farm exporting nations, was added to the guest list.

The group – a third force after the US and the EC – acts as an agricultural co-ordinating and lobbying group in the Uruguay Round talks on trade liberalisation held under the aegis of Gatt.

Yeutter: ominous retort

Even the usually optimistic Mr Clayton Yeutter, US Agriculture Secretary, has put the chance of agreement by the end of the Round at a mere "50-50". Failure would be costly, he warned

Agreement was swiftly reached on Thursday on the desirability of creating a protocol to handle food safety crises when concerns arose about imports. The ministers also recommended giving greater prominence to efforts to harmonise food safety standards within the Gatt.

From that point on, the dissent over the Round dominated the discussion and oozed out of various press briefings.

The spirit of unanimity implied by the white nylon "Quint" jacket each minister wore for public appearances seemed increasingly incongruous.

The Japanese, leading a discussion on food security, indicated that they would not budge, even after the February election, from their insistence on total protection for their rice farmers.

Mr Yeutter retorted ominously that while all countries wished to have top levels of food production, other countries could just as easily argue for 100 per cent self-sufficiency in cars, TV sets and other industrial products or services.

Mr Ray MacSharry, EC Commissioner in charge of Agriculture, expressed some sympathy for the Japanese position but complained that as potential allies within the Round, "they don't express themselves as forcefully as one would like".

Mr Hidaro Maki, the Japanese Agriculture vice-minister, showed no reluctance to criticise EC export subsidies as having had a destabilising effect on the commodities markets in the past decade.

MacSharry: 'little progress'

As usual, Mr Yeutter and Mr MacSharry found each other's proposals for resuming agriculture protection unacceptable. Mr Yeutter said the US would abandon its own "clarification proposals if a better mousetrap could be found," but he doubted that was possible.

The harshest assessment of the EC's "rather convoluted solution" came from Mr John Kerin, the Australian Minister for Primary Industry and Energy.

In maintaining the basic structure of the Common Agricultural Policy, he said the Community would be keeping small farmers in poverty on "miserable plots of land"; it would pay its rich farmers "a whack of money" while pretending the policy was protecting small producers.

Although the ministers were prepared to attend another session later this year, there was not even consensus on whether progress had been made at this one.

Mr Donald Mazankowski, the Canadian Agriculture Minister, said he was impressed by the commonality of viewpoint about reducing trade-agriculture protection and saw the differences only in the modus operandi to achieve the desired objective.

Mr MacSharry said there had been little progress on the major differences, and "a long and difficult negotiation lies ahead".

The political will and creativity each official called for to settle their differences showed no sign of emerging.

The forthright Mr Kerin could say of what might best be described as a querulous "Quint", that the mood had changed during his seven years as agriculture minister.

No longer is there the "nonsense I used to have to put up with," he said.

Japanese group to open lingerie plant in France

By Alice Rawsthorn

WACOAL, the Japanese group which is the world's largest lingerie producer, plans to open a production plant in France as a base for its expansion into the European market.

The company is investing in a production plant on a 23,000-square metre site at Ernée in France. The plant, which is scheduled to come on stream in spring next year, will be the company's first venture in Europe.

Wacoal, based in Kyoto, has dominated the Japanese lingerie market for decades. A few years ago it moved into North America. Its market share in the US is still comparatively small, but it has established a significant position in the market for high-quality lingerie.

The company first mooted its intention of diversifying into Europe a year ago. Mr Koichi Tsukamoto, president, said the French operation was expected to break even in 1995 at the earliest, or by 1998 at the latest.

Wacoal's arrival in the European market has important implications for established lingerie producers. At present the market is dominated by Triumph of Switzerland, together with Playtex and Warnaco of the US. Other companies have significant positions in individual markets, such as Courtaulds in the UK.

The European lingerie market has been extremely buoyant in recent years. Lingerie became increasingly fashionable in the 1980s and the introduction of new products, such as body-stockings, added a fillip to sales.

Traditionally, the Japanese textile and clothing companies have tended to concentrate on the Asian market. But in the past year or so, a number of Japanese groups have announced investments in Europe.

Toray, one of the biggest fibre companies, acquired the Samuel Courtauld weaving company in the UK from Courtaulds last year. Kurabo and Toyo Menka Kaisha have joined forces with Tootal of the UK to build a finishing plant in Scotland.

Comecon wants 'forward scouts' on market trail

By John Lloyd and Christopher Bobinski in Sofia

THE most remarkable element of the opening session of Comecon in Sofia yesterday is also the most obvious: the countries in the organisation have found their diversity, and are free to express it.

But this is not freedom to act. The first session showed that though these countries may no longer wish to hang together, they cannot, yet, hang separately. The vanguard group which now emerges is composed of Czechoslovakia, Hungary and Poland.

Mr Marian Calfa, Czechoslovak Prime Minister, told the meeting Comecon must be a platform for consultation, but as far as it inhibited moves towards marketisation, so far would Czechoslovakia limit its participation.

Inter-Comecon trade must be organised according to world market conditions by 1995.

The Hungarians came to Sofia trailing the notion that a sub-regional grouping with Czechoslovakia and Poland should be allowed, to act as an economic forward scout towards free markets which others could join.

Mr Miklos Nemeth, the Hungarian Premier, said Comecon must "change or die", and suggested its executive council should now start work on a wholly new concept, possibly by appointing a special commission headed by a reformist.

Mr Tadeusz Maziowiecki, the Polish premier – still the only non-Communist head of government – urged a defined transition to a market system.

He rejected interference by Comecon with members' rights to take their own economic path, and suggested that the economies already on the market road should act as "an economic laboratory" for the rest.

This is close to what the Hungarians want: but the Czecholslovaks are cautious. Mr Vladimir Dlouhy, head of the Planning Commission, said in an interview that he would explore the idea with his Polish and Hungarian counterparts, but too close an alliance with a country with hyper-inflation (Poland) would hurt Czechoslovakia.

Soviet Prime Minister Nikolai Ryzhkov's proposal that the member-states move to hard currency trading next year had been trailed in a speech in Moscow last month; no one was opposed: even Vietnam said it was ready.

The three vanguard countries, in agreeing to it, have all implied they want compensation from Moscow for the Soviet-dominated Comecon's 40 years' distortion of their economies.

If they are to move to hard currency trading, which would in the short term benefit the oil-producing Soviet Union and harm those countries whose products are much less internationally tradeable, Moscow must subsidise the costs to its partners, as reparation.

It must also, Mr Dlouhy said, fully open its own market to their products. It is in these areas where the main debate centres.

Mr Petre Roman, Romania's Prime Minister, stressed his nation's economic devastation.

Mr Hans Modrow, East German Prime Minister, proposed co-operation between Comecon members and Western states on civil nuclear energy, electronics and biotechnology, supporting a phased move to hard currency trading, but urging all agreements to date should be honoured.

No one, it seems, endorsed continuing the five-year planning framework (due to run from the end of this year to 1995), though that was the ostensible reason for the conference.

Cuba's deputy Prime Minister, Carlos Rodriguez, supported planning, adding that Havana would defend socialism with weapons – a clear warning to its dissidents.

HK governor takes an unwelcome message to Peking

The colony's political aspirations are now thoroughly distrusted by China, writes **John Elliott**

CHINA'S Communist Party is above the rule of law, Mr Ren Jianxin, president of Peking's *Supreme People's Court, was reported* as saying earlier this week. China should learn the benefits of an independent judiciary and exercise restraint to support it, responded Sir Ti Liang Yang, Hong Kong's Chief Justice a day later.

This distant but tough interchange was not merely a battle between top judges of different political systems. In Hong Kong it is seen as part of a constant war of words that has built up since hundreds of thousands of people in the British colony took to the streets last May and June in support of the Tiananmen Square students' movement.

Today Sir David Wilson, the mild-mannered diplomat-turned-academic who is the governor of Hong Kong, arrives in Peking to try to soothe relations. This is his first visit since June and is likely to be marked by red *carpet treatment in public and* tough words in private.

Sir David wants to reduce countless misunderstandings that have arisen in recent months and will try to persuade China's leaders to see Hong Kong as an economic asset, not a political liability.

But he will face a difficult task because Hong Kong is no longer trusted by Peking's leadership – not because it is a citadel of capitalism but because they now see it as a base for political dissent.

The politicisation of Hong Kong's people last May and June shocked China's leaders just as much as China's army crackdown shocked the people of Hong Kong who dread coming under a ruthless Communist regime in 1997.

Sir David will mostly be dealing with second rank officials who head the Hong Kong and *Macao Office* but he is expected to pay a courtesy call, accompanied by his wife, Lady Wilson, on Li Peng, the Prime Minister. His host is Zhou Nan, a Vice Foreign Minister who has been involved in Hong Kong's affairs for many years and is seen as a hardliner.

Mr Zhou, 62, is also believed to be a front-runner to become China's top man in Hong Kong by succeeding 74-year-old Xu Jiatun as head of the Xinhua News Agency which acts as China's *de facto* embassy in the colony.

Sir David's main policy aim will be to persuade China to speed up its post-1997 plans for democratic elections in Hong Kong so that Britain can allow one-third of the existing legislative council to be directly elected in 1991 and 40 per cent in 1995. At present that would clash with China's plans for only 30 per cent in 1997 and no further improvements till 2007 or later.

If China does not budge, the UK and Hong Kong will have to decide whether to defy Peking and introduce its own plans. That will be a key issue to be considered next weekend when Mr Douglas Hurd, UK Foreign Secretary, arrives in Hong Kong for a four-day visit 24 hours after Sir David returns from Peking.

Sir David also wants to win China's support for the colony's airport and other infrastructure projects which will cost over HK$130bn (£10bn) over the next 15 years. In its present mood, China is being less than fulsome in its support for the plans.

China will probably repeat its criticisms of the UK's plans to issue passports to up to 225,000 Hong Kong people. It believes this could threaten its sovereignty and it has recently threatened reprisals if the plan is not withdrawn. China is also likely to query Hong Kong's plans to introduce a Bill of Rights.

On the issue of Vietnamese boat people, Sir David will ask China to take a tougher line with those who stop during their journey in villages along the Chinese coastline and against those who travel overland through China.

No one expects enormous progress from the talks because of Peking's general diplomatic stance of defensive hostility in the wake of last June's Tiananmen Square crisis. But the next few days will indicate whether the war of words can be reduced and important clashes avoided.

Six killed in S African rail strike violence

By Patti Waldmeir in Johannesburg

SIX MEN were killed and 31 injured yesterday in a battle between striking and non-striking South African rail workers, the worst incident of violence so far in a 10-week transport dispute.

Officials of the South African Railway and Harbour Workers' Union (Sarhwu) accused non-strikers of an unprovoked attack on strikers with clubs, knives, machetes and rocks. They said they had received reports of more deaths, but these reports could not be confirmed.

About 25,000 workers have been striking since November against South African Transport Services (Sats), the state transport body, in a bid to have their minimum monthly wage increased from R600 to R1,500 (£143 to £358), and for formal recognition of Sarhwu, which has been excluded from contract talks.

Yesterday's incident was the worst so far in the dispute, which had previously left about 10 dead and dozens of railway carriages destroyed by fire. More than 22,000 of the striking workers have been sacked by the company since the strike began, and the union is demanding their reinstatement.

The company has said it would re-employ half the sacked workers, and allow an arbitrator to decide if others had been unfairly dismissed; but it has offered no wage increase.

Sats, which employs 170,000 people, is being prepared for eventual privatisation by the National Party government.

According to a police spokesman, yesterday's incident occurred when about 1,000 Sats workers confronted 800 strikers at Germiston station, near Johannesburg. He said police used teargas to disperse the combatants.

However Cosatu, the union federation to which the strikers are affiliated, accused the police of siding with non-strikers and failing to intervene swiftly enough. Two hours after the clash, bodies still lay in blood-soaked train carriages, with home-made weapons strewn around the carriages and on the platform.

The Sats dispute is the second violent strike in recent months. An earlier strike by breweries workers led to the death of a delivery truck driver.

Ethiopian coup officers on trial

FOURTEEN top-ranking Ethiopian military officers pleaded not guilty yesterday to charges of trying to overthrow President Mengistu Haile Mariam in a coup attempt last May, *Reuter reports from* Addis Ababa.

The five major-generals, eight brigadier-generals and one rear-admiral include the former commanders of the navy, police and ground forces and several air force leaders. All are charged with mutiny and attempting to overthrow the government and could face the firing squad if convicted.

The trial before a military court opened last month and after yesterday's pleas it was further adjourned until January 12.

Ethiopia's state-run newspapers published a summons yesterday for Major General Kumlachew Dejene, former deputy commander of military forces in the northern province of Eritrea, to appear before a military court on January 23.

Baker 'losing hope' over Mideast peace talks

By Lionel Barber in Washington

MR James Baker, US Secretary of State, indicated yesterday he was losing hope of achieving a breakthrough in Middle East peace talks and signalled the US might drop its role as peace broker.

Mr Baker's threat seemed more a tactical manoeuvre since it was reportedly made during a private meeting with Mr Kjell Magne Bondevik, the Norwegian Foreign Minister, at the State Department.

Mr Baker wants to galvanise the Israel Government and the Palestine Liberation Organisation as he renews efforts to open an Israeli-Palestinian dialogue on his five-point peace plan to settle the future of the occupied territories.

Last month, the US State Department announced that all of the parties had conditionally agreed to the Baker plan. A three-way meeting between the foreign ministers of Egypt, Israel and the US was supposed to iron out key points of disagreement, paving the way for Israeli-Palestinian talks in Cairo on elections in the occupied territories.

According to the US, this meeting is now in jeopardy because both Israel and the PLO – which is reluctantly using Egypt as an intermediary – are insisting on apparently mutually exclusive preconditions. The PLO wants a direct and principal role in the Cairo talks, but Israel refuses to negotiate with the PLO.

Mr Baker, however, wants these disputes worked out in advance of a meeting in Washington. By several accounts, he is taking a firm line with the Israelis, particularly over the status of Jerusalem.

Egypt insists that Arab residents in East Jerusalem, annexed by Israel in the Six-Day War in 1967, be given the right to vote in the proposed elections. Israel is worried that this could compromise Israel's claim to the city.

A visitor to Peking's Tiananmen Square has his bag checked by an armed police officer yesterday as an end to martial law is widely reported to be imminent, Our Foreign Staff writes. The Chinese Government has been weighing its desire to appease the US Congress before it returns on January 23, in the hope that US sanctions against China will be lifted, against the risk of renewed demonstrations in Peking. China introduced martial law in the capital in May at the height of student demonstrations in Tiananmen Square. It has since been relaxed, armed police replacing troops in the square and at key intersections in the capital in October. It might have been removed earlier but for the downfall of Communist regimes in Eastern Europe. The Chinese leadership is reported to have been particularly unnerved by the mass protests which led to the collapse of Nicolae Ceausescu's regime in Romania.

Singh Government makes first contact with Pakistan

By K.K. Sharma in New Delhi

THE first formal contacts between the new Indian Government led by Mr V.P. Singh and Pakistani leaders were made yesterday when Mr Abdul Sattar, a special emissary of Ms Benazir Bhutto, Pakistan's Prime Minister, met Mr I.K. Gujral, the Indian External Affairs Minister.

Mr Sattar, who arrived in New Delhi over the weekend, has already met Indian officials to discuss various issues between the two neighbours. *He is expected to meet Mr* Singh today when he will deliver a special message from Ms Bhutto.

Ms Bhutto has sent Mr Sattar to New Delhi to find out how the new Indian Government views Indo-Pakistan relations and whether it plans to make a fresh beginning on the issues which stand in the way of normalising relations.

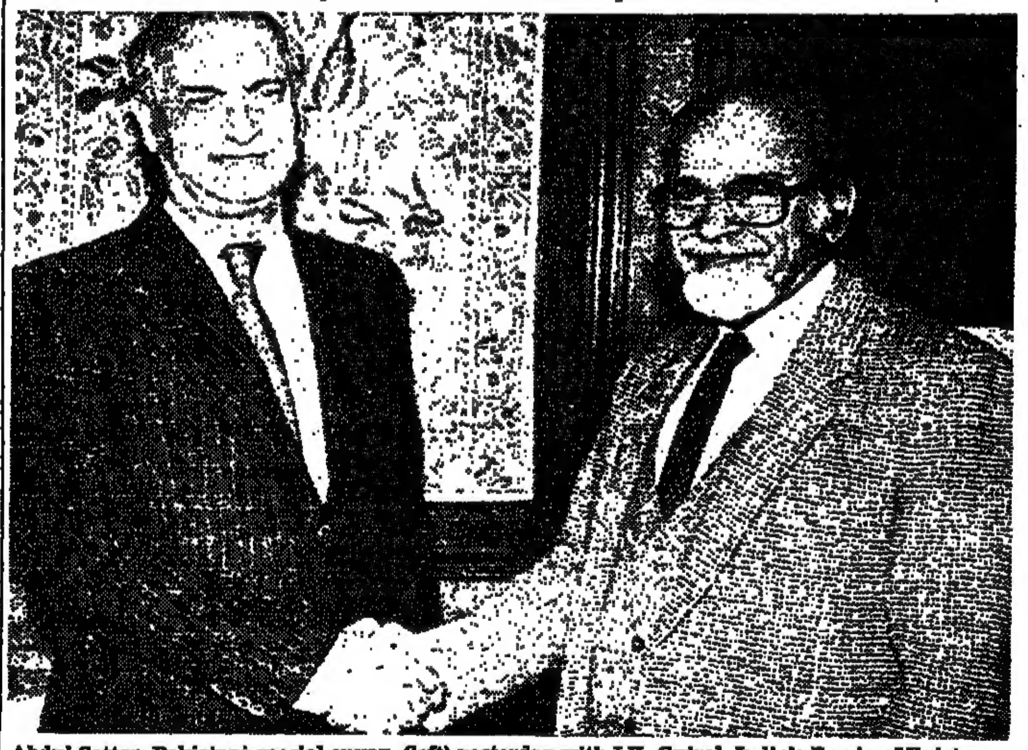
Mr Singh and Mr Gujral have announced they will give priority to strengthening India's ties with its neighbours. They have demonstrated their willingness to do this by holding talks with Nepali and Sri Lankan leaders last week when considerable progress was made to resolve bilateral issues because of the sympathetic approach by India's new leaders.

Whether the Indian Government will give the same treatment to Indo-Pakistan relations remains to be seen. These have been marked by mutual suspicion for more than 40 years during which the two countries have been to war three times.

However, a start was made yesterday when Mr Gujral and Mr Sattar discussed the possibility of launching initiatives to speed the process of normalisation. These could lead to an early meeting of the Indo-Pakistan joint commission led by their Foreign Ministers.

The immediate issues relate to charges that each country is helping separatist movements in the other. The disputed state Kashmir is viewed in New Delhi as of particular concerned. Police there fired yesterday on mobs in three towns, killing 13 people. Anti-India riots and violence by pro-Pakistan radicals have increased in intensity in the past few weeks. Many parts of the valley of Kashmir, including Srinagar, its capital, are now under curfew.

The other big issue is the armed confrontation on the disputed Siachen glacier in Kashmir.



Abdul Sattar, Pakistani special envoy, (left) yesterday with I.K. Gujral, India's Foreign Minister

Communists look to their roots

By Hugh Carnegy in Jerusalem

ISRAEL'S traditionally fiercely pro-Moscow communist party, for years the main political voice of the country's Arab community, this week began a process of reform and renewal reflecting deep shifts in its foundations both at home and abroad.

Taking the first step was Mr Meir Wilner, 71, the Arab-Jewish party's Jewish leader and the last surviving member of the Knesset who signed Israel's Declaration *of Independence* in 1948. He retired as MP on Monday to make way for a younger, Arab member.

He will be followed by two Arab colleagues and veterans of the Knesset, Mr Tawfik Toubi and Mr Tawfik Ziad, who will also make way for new blood. The fourth member intends becoming an independent.

Officially called the Democratic Front for Peace and Equality, but better known by its Hebrew acronym Hadash, the party has experienced an ironic shift in its position. Its longstanding adherence to the Moscow party line, opposition to Zionism and support for the Palestinian cause brought about near ostracism from the Jewish Israeli mainstream. The party's existence in the Knesset derives from its strong support from the Arab minority in Israel.

However, as Mr Wilner noted in his farewell speech, Hadash's commitments to an independent Palestinian state alongside Israel and to negotiations with the Palestine Liberation Organisation are now accepted by many Israelis.

But at the same time, Hadash has seen its support in the increasingly radical Arab community seriously eroded.

In last year's municipal elections, Hadash lost control of the third largest Israeli-Arab town, Umm el-Fahm, to fundamentalists and suffered heavy losses to them in other strongholds such as Nazareth.

Iranian security forces raid dissident ayatollah's home

By Victor Mallet

THE PEOPLE'S Mujahideen, the most prominent Iranian opposition group, said yesterday that security forces had raided the home of Ayatollah Hossein Ali Montazeri and detained him for several hours in the holy city of Qom at the weekend.

Mr Montazeri, who was chosen as Ayatollah Khomeini's successor but was pushed aside before Khomeini's death last year because of his dissident views, has stepped up his criticisms of the Government.

Feelings in Qom, in Tehran University and in the Iranian parliament are running so high that Ayatollah Ali Khamenei, the country's leader, has called for curbs on public criticism of the authorities. Yesterday Mr Mehdi Karrubi, the radical speaker of the Iranian parliament, bowed to Mr Khamenei's wishes.

"Today, when an excellent force is in charge of the executive, all of us have a revolutionary and religious duty to help him solve the difficulties to the best of his abilities," Mr Karrubi was quoted as saying by Tehran radio.

Mr Montazeri's challenge is seen by the Government as particularly threatening: he was made a Grand Ayatollah by Khomeini and in religious terms is senior both to Ayatollah Khamenei and to President Ali Akbar Hashemi Rafsanjani.

The Mujahideen said security men had arrested Mr Montazeri on Saturday but released him because they feared unrest among his supporters.

Thai rift leads to cabinet changes

By Peter Ungphakorn in Bangkok

GENERAL Chatichai Choonhavan, Thailand's Prime Minister, switched two of his most powerful ministers yesterday in an attempt to defuse the conflict with Bangkok's newly re-elected governor.

The move follows days of speculation about a reshuffle, during which Gen Chatichai tried, but has so far failed, to persuade the army chiefs to join the cabinet and shore up the divided coalition.

Although there are rifts between the partners in the coalition, the most serious trouble is now within the Prime Minister's own Chart Thai party.

Gen Chatichai yesterday removed police General Praman Adireksarn, who is his brother-in-law and a former party leader, from the Interior Ministry, ending a year-long feud between Gen Praman and Maj Gen Chamlong Srimuang, Bangkok's governor, over the appointment of a city clerk and over the bidding for a garbage disposal plant.

Gen Chamlong was re-elected on Sunday with 703,671 votes, more than 61 per cent of the 1.1m votes cast. The Interior Minister's favoured candidate was placed seventh with a dismal 5,280 votes.

The landslide was a clear vote against alleged corruption and power brokering in the Government and in favour of a man whose main credentials are his honesty, religiousness and modest living. It was so overwhelming that the Prime Minister immediately pledged to co-operate with the re-elected governor, particularly to tackle Bangkok's "steadily worsening traffic paralysis".

Gen Praman also indicated he might no longer obstruct the governor, whose administration comes under the supervision of the Interior Ministry. But he has a reputation for being unyielding and the Prime Minister said the switch was being made so that the Government and the Bangkok administration could work together better.

Gen Praman swapped places with the Industry Minister, Mr Banharn Silapa-archa, the Chart Thai Secretary General. As one of the party's most effective fund raisers, Mr Banharn commands loyalty from a number of Chart Thai MPs.

Mr Banharn did not appear too happy with the move, but he was reported to have been in continual contact with Gen Chatichai. He seems to have come to the rescue of the Prime Minister in the face of possible dissent from Gen Praman, who also heads a strong faction in the party.

Thai analysts did not rule out the possibility that the Praman faction could still rebel in the next few weeks.

General Chavalit Yongchaiyudh, the army commander, meanwhile, has still said nothing publicly about the Prime Minister's invitation. One of his closest aides did say yesterday, however, that the commander had been advised to keep his promise to retire early, but not to do so yet.

The police yesterday warned the press not to publish speculative reports about problems in the Government.

Philippine team trawls for new loans of $750m

By Greg Hutchinson in Manila

A PHILIPPINE debt negotiating team led by Mr Jesus Estanislao, the Finance Secretary, and Mr Jose Fernandez, the central bank governor, have started a tour of Tokyo, Frankfurt, London and New York to raise a hoped-for $750m in fresh loans from international banks.

According to the central bank, about $600m has already been pledged under last November's debt relief package under which 400 bank creditors could opt to have their debts repurchased at a discount or to lend more money. This response has disappointed the Government and its leading banks, which *had looked for* new loans of $1bn or more.

The Government repurchased $1.3bn of debt last week for $650m with the use of funds principally from the International Monetary Fund and the World Bank. The Philippines thus became the first nation to implement a full programme under the Brady initiative, launched in March by Mr Nicholas Brady, the US Treasury Secretary.

The International Monetary Fund has reacted positively to President Corazon Aquino's assurance that no big economic policy changes were planned.

The presidential pledge should allay fears of banks and *other* lending institutions that Mrs Aquino may be tempted following last month's nearly-successful army coup to take a "quick-fix" approach.

Ivory Coast struggles with millstone of low commodity prices

Economic reforms have been forced on a country which depended heavily on cocoa and coffee, writes **Mark Huband**

THE International Monetary Fund is not renowned for blunt speaking in Africa, usually preferring to convey its concerns in the language of euphemism.

But Mr Michel Camdessus, the Fund's director general, did not mince his words at a press conference in Abidjan last month. The Ivory Coast's economic crisis, he said, was "deep and serious." It brought home the fact that a country once regarded as Francophone Africa's success story is in severe difficulties.

While an IMF-backed structural adjustment programme is under way, economic austerity lies ahead and will be a testing time for President Felix Houphouet-Boigny, the country's octogenarian leader.

Central to the crisis has been the sharp drop in world prices for Ivory Coast's main exports, cocoa and coffee.

Between 1986 and 1989 the real prices of these two exports declined by 48 and 55 per cent respectively, exposing the Government's failure to diversify an economy over-dependent on these two crops.

Government critics argue that diversification should have been funded from receipts in the boom years of the mid- to late-1970s and relatively successful mid 1980s. In 1985 cocoa and coffee receipts were worth $1.5bn (£88m); they fell to $776m in 1988 and estimates for last year show little change.

Despite a fall in imports, the balance of payments deficit has more than doubled in the past two years to $1.2bn. As receipts fell, the debt problems mounted, forcing the Government into rescheduling agreements to cope with its $14bn external debt.

But the crisis has been compounded by the Government's efforts to cushion coffee and cocoa growers by subsidising producer prices, building up a debt which was being carried by the banks. This created a crisis in the banking sector, only now being resolved.

The scale of the problem was revealed last July. Bank assets were put at $236m, while loans had reached $363m. Recent estimates put the proportion of bad debts at up to 30 per cent, with arrears standing at $145m.

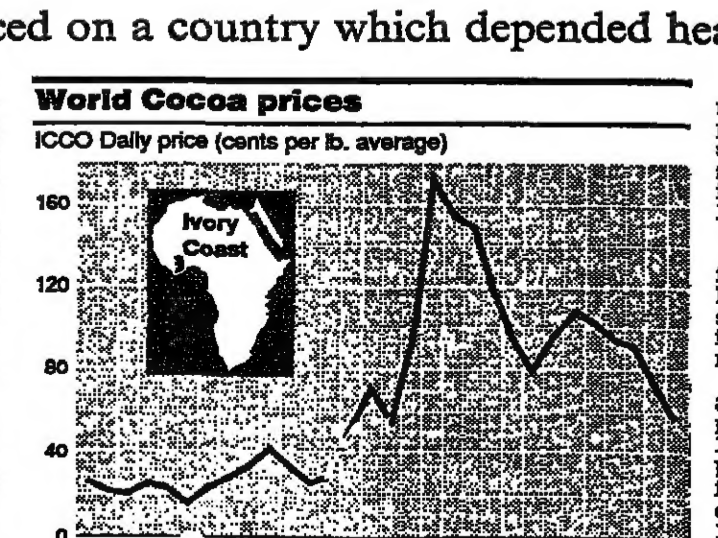
Faced by the urgent need to restructure the economy and reschedule the external debt, the Government agreed on a recovery programme supported by a $224m stand-by facility from the Fund, consisting of three main elements: agricultural reforms; reducing the state's dominance of the industrial and manufacturing sectors; and cuts in public spending.

In addition to winning the endorsement of the IMF, the programme has been backed by the World Bank and other donors and lending agencies, which last November pledged $819.5m in support of reforms.

IMF backing also opened the way to debt relief and, in December, to an agreement whereby the Paris Club of government creditors undertook to reschedule $700m which was otherwise due for repayment by the end of 1990. A rescheduling agreement with the London Club of commercial banks is expected by the end of this month.

World Cocoa prices

ICCO Daily price (cents per lb. average)



Source: Gill & Duffus Cocoa Statistics

The main plank of the reform platform was put in place last year. The export crop subsidies had cushioned the growers – who with their families account for two-thirds of Ivory Coast's 11m population – from falling prices.

But with prices stagnant or falling, the cost proved too high to sustain and by 1989 the state coffee and cocoa marketing board, Caistab, had accumulated a deficit of $440m.

Last September Caistab announced that it intended to pay off its deficit by the end of 1990. Cocoa producers saw a 50 per cent reduction to 200 CFA francs a kilo, while the producer price for coffee fell from 150 CFA francs to 100 CFA francs a kilo.

The message that Caistab had to put its finances on a firm footing was reinforced in November, when foreign and commercial banks in Abidjan told the Government that they would be unable to finance the purchase of the current cocoa crop unless they had full details of Caistab arrears owed to exporters who required loans.

This demand was met and the board intends to eliminate its arrears over 12 months.

With the introduction of these measures, fresh World Bank funds were released. The Bank has made $216m available to improve agricultural efficiency and improve rural transport in a bid to reduce farmers' costs. It will also be used to reverse rural depopulation by financing projects which encourage young people to work on the land.

Meanwhile the industrial outlook remains bleak, in part because of the sector's weak base. Of 5,400 companies started between 1980-87, only 13 per cent were involved in manufacturing. Over 60 per cent were involved in trade.

The sector has also been dominated by inefficient government-owned companies. In 1987, 71 per cent of industrial output was in state hands. This combination of trade-based companies and high level of state control illustrates the challenge the Ivory Coast faces if it wants to develop an industrial and manufacturing base which can compete with foreign competitors, both in the domestic market and in West Africa.

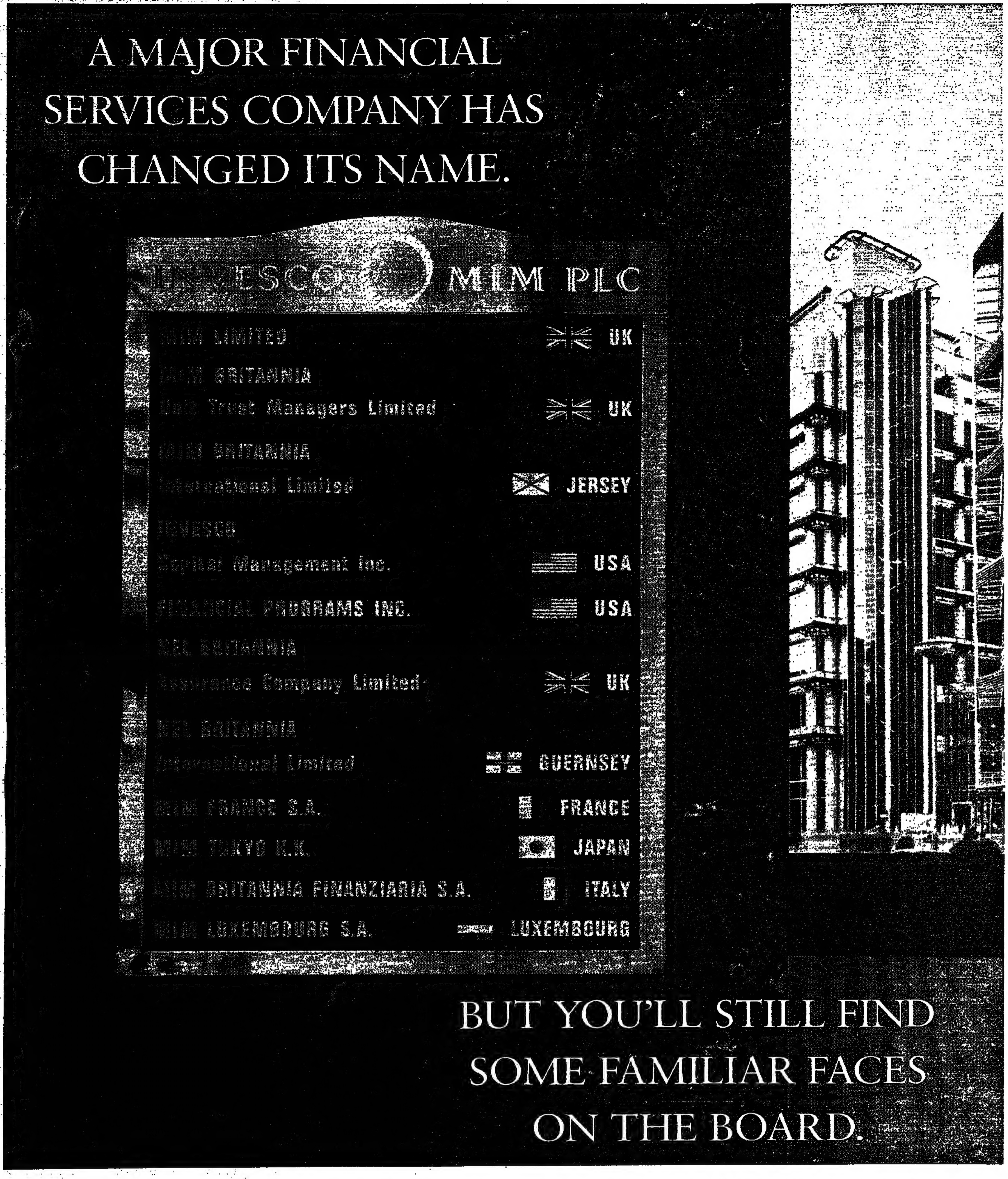
The third main plank in the platform of reform involves radical improvements in the state bureaucracy. Inefficient collection of land taxes and business fees, which account for 40 per cent of municipal revenue, are expected to be improved with $25m of the World Bank loan being spent on administrative reforms.

A 10 per cent special entry tax on most imports has also been introduced in a bid to increase revenues by ending widespread tax exemption on imports. Central government costs will also be reduced. A cabinet reshuffle in October led to the number of ministries being cut from 39 to 29.

By the end of this year cuts in government spending are expected to lead to savings of $993m, with the aim of turning the public sector deficit into a 5 per cent surplus by 1992.

Western donors have welcomed these moves. But the critical question remains whether they can be sustained while commodity prices remain weak and austerity bites.

While President Houphouet-Boigny has finally accepted the need for radical *reform*, success will largely depend on his ability to convince the country that there is light at the end of the tunnel.



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AMERICAN NEWS

US budget expected to trigger more debate than decision

Peter Riddell explains why January 29 will be an anti-climax

THE US administration's Budget on January 29 will be, even more than usual, the start rather than the end of real decision-making. It will trigger lengthy debates in Congress about the level of defence spending and tax initiatives to increase saving.

The Gramm-Rudman deficit reduction law makes the overall Budget statement an anti-climax. The numbers are made to fit the target, in this case $64bn for fiscal 1991 starting next October, down from an official estimate of $105bn for the current year. While the Bush administration's forecasts have so far been nearer the mark – thanks to the strength of the US economy – than those of the Reagan era, there could be problems now because of the slowdown in activity.

The immediate impact will be in fiscal 1990, but any prolonged economic weakness will affect the level of output, and hence of tax revenue in fiscal 1991, even if a pick-up starts later this year.

That doubt aside, the Bush administration proposes to meet the Gramm-Rudman target by raising revenue and trimming spending on defence, health and a wide range of discretionary programmes.

President Bush has approved $295bn in expenditure authority for defence in fiscal 1991. This is nearly $4bn higher than in the current year, but allowing for inflation it represents a 2 to 3 per cent cut. Under budget accounting this is equivalent to a saving of $6bn to $8bn.

US Budget Deficit

Fiscal year	$bn
1989	155
1990†	105
1990‡	128
1991*	64
1992*	30
1993*	0

† Administration estimates
‡ Congressional Budget Office estimate
* Gramm-Rudman statutory targets

But this is merely a starting point. While the Administration wants to move cautiously on reducing the defence budget, the political pressures are for an early, radical reappraisal.

After Congress returns on January 22, there will be a host of hearings on changes in Soviet military intentions, capabilities and the consequent threat to the west. At the least this is likely to lead to the elimination of some projects and a bigger, say $10bn to $15bn, cut in defence spending.

On the non-military side, the Administration will propose saving $5.5bn on Medicare by limiting hospital reimbursement rates and payments to doctors. This idea is already being resisted in Congress. Otherwise, small increases are likely to be proposed in spending on drug control (a likely major theme of Mr Bush's State of the Union address on January 30), education, environmental protection, and science and research.

The revenue highlight will be a revival of the cut in capital gains tax, which caused so much controversy last year and which Senator George Mitchell, the Democratic Majority leader, successfully blocked. This idea has gone through more than a dozen versions; the latest is to cut the rate from the present 28/33 per cent to a maximum of just under 20 per cent. This would apply to the sale of securities, timber, land and other assets, excluding collectibles such as art. It would affect assets held for at least three years, though there may be a sliding scale. A cut would raise revenue in the first year.

Even Senator Mitchell has conceded that a gains tax cut is "more likely" this year, though there will undoubtedly be considerable debate over the details. Senator Lloyd Bentsen, the chairman of the Senate Finance Committee, has talked of putting together a package on savings incentives, of which part might be a reduction in gains tax. He also favours an expansion of tax concessions on individual retirement accounts.

The administration's other savings proposal will be the creation of special tax free accounts, under which savers can deposit up to say $5,000 a year and be exempt from taxes on interest and dividends if the money is left there for 10 years. There might be an income cut-off to limit the benefits for the wealthy.

The Bush Budget will seek to raise revenue by requiring all state and local government employees to pay the Medicare health insurance tax as well as via what are euphemistically known as user fees. These are small new taxes that can be linked to environmental and other programmes.

In general, however, President Bush is going on the offensive over his "no new taxes/cut capital gains tax" plank. On Monday, he called Democratic opponents of the tax cut "demagogues" and challenged Congress to pass his crime, drug and education proposals. The tax theme is politically attractive in an election year, not least since it is one of the few areas where Mr Bush's proposals are seen by voters as clearly distinct from those of the traditionally "high spending/taxation" Democrats.

After last year's bruising Budget debates, there is little immediate likelihood of a bipartisan summit or agreement. Instead, with no immediate market pressures to cut the deficit, the main attention will be on the wrangling over defence spending and the gains tax and savings proposals.

Greenspan speaks out on Fed disclosures

By Our US Editor in Washington

MR Alan Greenspan, the chairman of the US Federal Reserve, yesterday underlined his opposition to more rapid disclosure of the dicussions of the policymaking Fed Open Market Committee.

At present the minutes are released six weeks later, but accelerated publication has been proposed in a bill currently before Congress.

In an answer made known yesterday to a written inquiry from a Congressional committee, Mr Greenspan said that earlier disclosure might increase speculation ahead of FOMC meetings and potentially add to market volatility. There might also be a reduction in the flexibility of open market operations, he suggested.

Mr Greenspan is due to testify twice next month on an alternative legislative proposal, which he favours, for the Fed to pursue policies reducing inflation to a rate where it no longer has economic significance.

After Congress returns in just under a fortnight, Mr Greenspan will give evidence as well on the Budget, on the overall economic outlook and on the savings and loan industry.

The Fed's half-yearly report on monetary policy, the so-called Humphrey-Hawkins testimony, will be given by him on February 20.

Hurd backs US stake in Europe

By Robert Mauthner, Diplomatic Correspondent

THE changes that have taken place in Eastern Europe and their implications for Western Europe have enhanced, rather than diminished, the importance of the relationship between the US and the European Community, Mr Douglas Hurd, Britain's Foreign Secretary, said yesterday.

The US stake in what was going on in Europe was crucial, Mr Hurd told a joint meeting of members of the US House of Representatives and the European Parliament in London.

"There will be a debate about the future course of disarmament and about the level of US troops in Europe.

"But it is here, in Europe, that all the Western values which we have jointly sustained and promoted will be won or lost."

It was up to Europe and America to provide a stable basis for the economic and political development of the Eastern European countries, Mr Hurd said.

That would require an intensification of the US-European Community co-operative machinery on the lines which Mr James Baker, the US Secretary of State, had already discussed with the European Commission.

In the case of both the European Community and Nato, there should be no rush to change institutions and systems which had worked so well, though there was clearly room for adaptation to take account of the new conditions in Eastern Europe.

Nato had been an essentially defensive organisation which would therefore have to adapt to what everyone hoped would be a diminished threat.

Its political role would undoubtedly increase. The Community, on the other hand, had to adapt to the new opportunity offered by the liberalisation of Eastern Europe, "perhaps the greatest since its foundation."

The Community's validity had not been undermined in any way by the emergence of the Eastern European countries from behind the Iron Curtain, Mr Hurd stressed.

The Community must not mark time, but in debating its future development, it had now to take into account the interests of the new democracies.

Mr Hurd reassured his audience that he was not arguing for a closed club for the favoured few, but for a liberal, open system.

He was glad that talk of Fortress Europe had died down.

"I am confident that we and our liberal partners in the Community can ensure that there will never be grounds for reviving it."

US soldiers outside the Peruvian ambassador's house in Panama

Noriega jail transfer expected

GENERAL Manuel Antonio Noriega, Panama's deposed leader, was last night expected to be moved from the cell beneath the Miami court where he has been held since he was brought to the US last week, Reuter reports from Miami.

A US federal judge scheduled a court hearing yesterday to consider a surprise request by prosecutors that Gen Noriega, be compelled to have a bail hearing, a court spokeswoman said. A Miami lawyer familiar with the case said the Government's request was related to plans to move Gen Noriega to a new location.

Gen Noriega has the right to appear at the hearing but it was not known whether he would be present in court.

A US official said on Monday that federal authorities intend to move Noriega, who faces drug trafficking charges, to a more secure jail cell "in the near future" – possibly to a maximum-security prison outside Florida.

But the official said the exact timing and other details of the transfer had not yet been worked out. The New York Times quoted a person involved in the move as saying US authorities would probably take Gen Noriega to a prison out of the state last night, with Atlanta considered the likely site.

Chile's growth rises to 9.9%

By Barbara Durr in Santiago

CHILE ended 1989 with a sizzling economic growth rate of 9.9 per cent, up from 7.4 per cent in 1988, according to the Chilean Society for Promotion of Manufacturing (Sofofa). Industrial production expanded by 13.7 per cent, the highest figure in 30 years.

Mr Fernando Agüero, Sofofa president, said he was pleased by last year's results, but acknowledged that the growth level was unsustainable. He expects growth this year to decline to just 5 per cent. This was not owing to lack of confidence in the incoming democratic government, but to a needed adjustment of the economy to a more reasonable pace of expansion, he said.

The construction and durable goods industries are expected to be the most affected by the slowdown.

Last week, the Central Bank raised interest rates following a small upsurge in inflation for the month of December to 2.1 per cent. Yearly inflation for 1989 was 21.4 per cent, up from 12.7 per cent in 1988, but still regarded as good by Latin American regional standards. The Central Bank's move was the third attempt to cool down the economy in the last ten months.

The interest rate rise is expected to stave off a devaluation.

Chile's free-market, export-led growth model has brought it an average economic expansion rate of 6.2 per cent over the last six years. Exports have been growing at about 10 per cent per year and annual inflation has averaged about 20 per cent. Mr Aguero noted that while "the 1980s is said to be the lost decade for Latin America, that hasn't been the case in Chile."

In part, Chile did especially well last year because the price of copper, its main export, remained high. Exports reached $8bn last year, while imports ran to $6.5bn. The high level of imports in 1989 was ballooned up by capital goods, according to Mr Aguero, given the substantial amount of new productive investments.

Projects underway but not yet on stream amount to $15.5bn or 60 per cent of the Chilean gross domestic product, according to Sofofa.

Mexican inflation at 10-year low

By Richard Johns in Mexico City

MEXICO'S inflation rate in 1989 was 19.7 per cent, the lowest for 10 years, but showed an accelerating trend in December when a 3.4 per cent rise over November was recorded, the Bank of Mexico's Consumer Price Index shows.

The success of President Carlos Salinas de Gortari's administration in reducing the level of 51.7 per cent in 1988 and the all-time high of 159.2 per cent in 1987 has been tempered by signs that the economy is overheating.

Achieving official growth of 3.5 per cent targeted for this year could involve a rise in consumer prices above the 15.3 per cent forecast in the budgetary projection for 1990.

As it was, the annual rate in 1989 was lower than the 20.9 per cent anticipated in the General Criteria of Economic Policy published when the budget for this year was announced in mid-November.

December's figure reflected the increases in public sector prices for goods and services, in particular petrol, electricity and telephone charges, as well as staple foodstuffs including the basic tortilla.

Over the year as a whole, significant contributors to inflation were housing, with a rise of 48.1 per cent, and education and recreation with a rise of 23.7 per cent.

The late-year surge in inflation highlighted one of the essential dilemmas of the Mexican government's economic stabilisation programme – the reconciliation of keeping down prices while minimising subsidies. More positively, the National Producer Price Index was up by only 15.6 per cent over the year, and by 2.4 per cent in December.

THE EUROPEAN AIRBUS

BAe row exposes group's weakness

By Paul Betts, Aerospace Correspondent

THE BRITISH STRIKE expected to stop production of Airbus aircraft this week underlines the weakness of the Airbus Industrie federal structure.

Airbus has been powerless to take steps to avoid the consequences of the strike over working hours at British Aerospace's UK plants because, as the consortium pointed out yesterday, it is up to the British partner to resolve its internal labour disputes.

The UK strike has placed new strains on the European consortium. Although the European group has emerged as a strong force in commercial aircraft manufacturing, commanding about 30 per cent of the Western jetliner market, it still has to translate its share of the market into a commercial and marketing success.

Up to now, it has been the British partner providing the main impetus for change in the way Airbus does business, by calling for a more market-oriented approach in the consortium's management. But it seems the tables have turned, and BAe's Airbus partners are showing growing irritation at the way BAe has so far handled its strike in the UK, which has halted the flow of wings for final assembly on Airbus aircraft in Toulouse.

Mr Jean Pierson, the Airbus chief executive, said yesterday: "The art of good management is also the art of handling labour relations." Airbus partners indicated that the consortium was considering invoking an article in the Airbus internal regulations that would make BAe liable to pay about 40 per cent of the costs incurred by Airbus as a consequence of the strike.

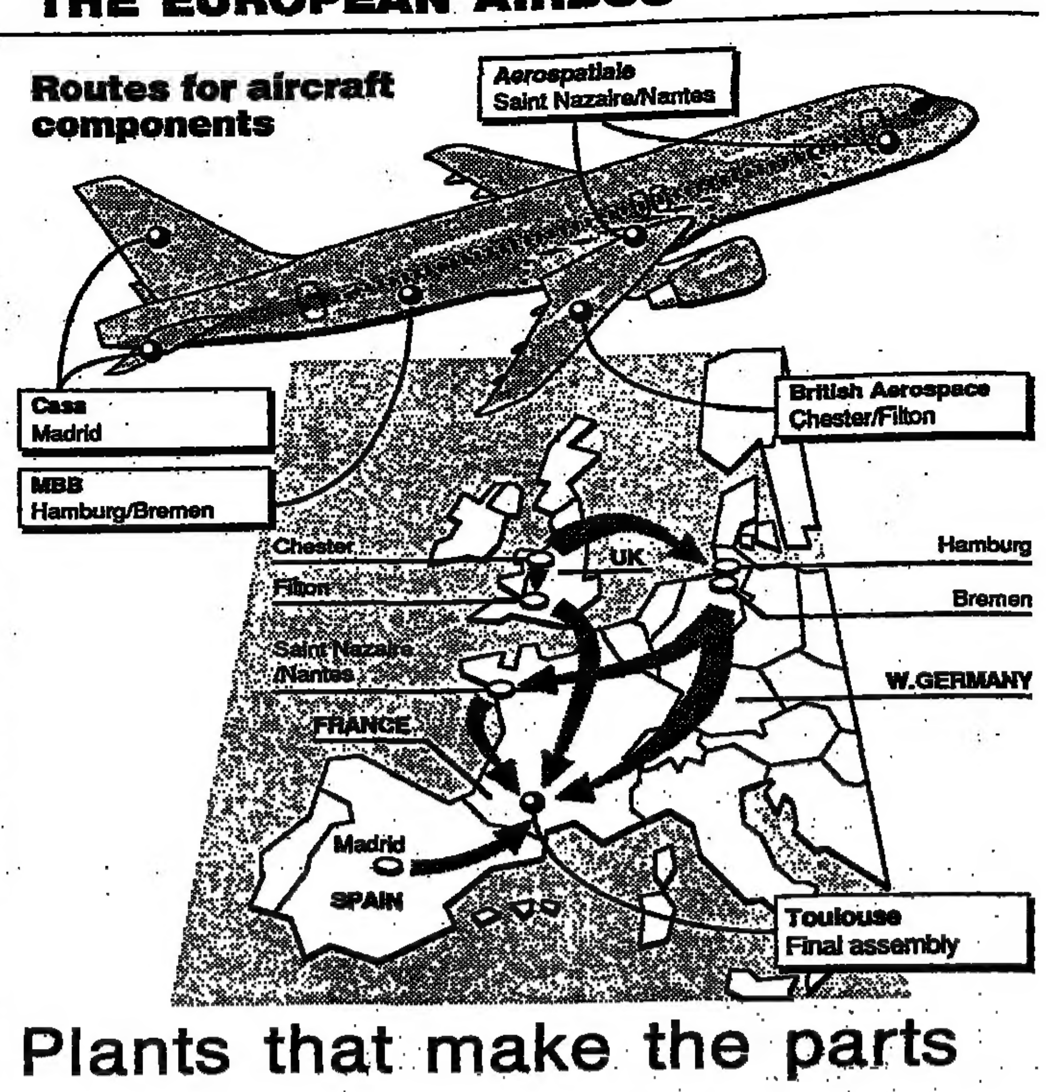
Mr Pierson said the production shutdown was bound to affect the credibility of the Airbus consortium at a time of fierce world competition for new jetliner orders. It comes as Boeing, the US manufacturer is building up production after a lengthy strike.

Under the current work-sharing system, each Airbus partner is responsible for a key portion of an aircraft. Until now, the system has worked relatively well, with the exception of a BAe strike in 1980 and a strike at Casa, Airbus's Spanish partner, which interrupted delivery of components for final assembly.

However, Mr Pierson implied yesterday that for such a system to work, each partner had to ensure smooth production of its components. After the past criticisms from Britain over the inefficient management structure of the Airbus system and the need to transform Airbus into a more independent, profit-minded enterprise, Mr Pierson could not help himself making a dig at his British partner.

"If we were a public limited company, I suspect we would have asked ourselves if we should keep all wing production at one plant. If you have a turbulent plant in a multinational group, you usually consider shutting it down," he said. Under the current Airbus system, the consortium has no freedom for alternative sourcing of main components.

Ironically, the strike has occurred just as the consortium seems close to settling a long-running row over whether to transfer assembly of its A320 narrow-body airliner from Toulouse to Hamburg. The partners may have hoped that resolution of that dispute had cleared its future.



Plants that make the parts

BRITISH AEROSPACE'S strike-hit Chester plant supplies skins, spars and ribs for the Airbus wings.

Components are either sent to Hamburg, via Manchester, or shipped to BAe's factory at Filton, Avon, where the wings are assembled before being shipped to Toulouse, France, for final assembly.

The Preston plant supplies mainly military aircraft, although it does supply some Airbus parts. BAe has about 20 per cent of Airbus production.

Aérospatiale, the French partner, is responsible for the Airbus nose and the cockpit, the wiring and computer control systems and the lower half of the central section of the fuselage, which connects to the wings. It has 37.9 per cent of the production, with factories at Saint Nazaire/Nantes and final Airbus assembly at Toulouse.

Messerschmitt-Bölkow-Blohm, the West German manufacturer which was recently taken over by Daimler-Benz, also has 37.9 per cent of production at its Hamburg and Bremen plants. It makes all the the fuselage, apart from the small section manufactured by the French. MBB also makes some wing flaps.

Casa, the Spanish partner, which has 4.2 per cent of production, makes the tail sections.

In addition, Fokker, the Dutch company, makes wing slats and flaps for the A300 in Amsterdam, while Belairbus, a consortium of the Belgian manufacturers Sonaca and Sabca, makes wing slats for the A310 and A320.

About 1,270 people are employed on final assembly at Toulouse, about 400 directly on production. The companies involved in Airbus employ more than 170,000 people in work on the programme.

MBB's Hamburg plant might be vulnerable to the ending of supplies from Chester from which it takes parts. Some of that production is then transferred to Saint Nazaire/Nantes before passing to Toulouse for final assembly. MBB's Bremen plant and Casa's Madrid plant supply Toulouse directly.

BAe targeted by engineers in shorter hours campaign

By John Gapper, Labour Editor

SINCE the beginning of the year, British Aerospace has become the focus of a campaign by unions to secure a 37-hour working week for up to 1.5m engineering workers.

The unions hope to secure similar conditions for their members to those enjoyed by their European counterparts, such as West German engineering workers.

BAe is taking the brunt of a rolling campaign of strike action, with about 7,000 workers on strikes at three of its plants.

The plants at Kingston upon Thames and Preston have been badly affected, but stopping work at Chester has turned out to be the most potent weapon in the union's campaign.

The strike by about 1,300 workers at Chester, where the sub-assembly of wings for the Airbus project takes place, has had increasingly serious knock-on effects on the project.

The plants at Kingston upon Thames and Preston mainly produce components for BAe's military aircraft division.

The campaign started with indefinite strikes at BAe's plants at Preston and Chester, and at Rolls-Royce's plant in Hillington, Glasgow. It has become focused on BAe as other companies have reached deals cutting the manual workers' week from 39 to 37 hours.

Among individual deals that have been made, the Confederation of Shipbuilding and Engineering Unions has struck deals at NEI-Parsons in Newcastle upon Tyne, Smiths Industries in Cheltenham, and Rolls-Royce in Hillington. The momentum for change is being held up by BAe.

BAe is especially important to the unions because of its size. The campaign for shorter hours is partly modelled on the successful campaign fought in the West German engineering industry by the IG Metall union in 1984, during which key employers were "picked off" in turn.

The original call was for a 35-hour week. If the British campaign is to achieve its revised aim, BAe must be cracked.

For that reason, union leaders have postponed an earlier plan to hold strike ballots at other engineering companies to concentrate their energies.

Next Tuesday, shop stewards from BAe's 17 plants around the country will meet in London to consider ways of stepping up the action. The options will include ballots on strike action at other BAe plants in an effort to force the engineering company into backing down.

The struggle at BAe has become an increasingly bitter one. The company has suspended without pay about 450 workers from plants at Warton and Samlesbury in Lancashire and Dunsfold in Surrey who have refused to cross picket lines to carry out work at Preston and Kingston upon Thames.

The two sides are not as far apart in substance as some of the rhetoric suggests.

British Aerospace has sent letters to strikers at the three plants saying it is willing to offer a 37-hour week provided the strikers – who are each receiving about £85 a week strike pay – will return to work first.

The unions have already won deals at other companies which commit them to cost-saving productivity improvements in return for reduced hours.

But the value of those agreements for the unions is that they do not specify the exact working practices changes that will be required.

While BAe says that it is unwilling to negotiate a 37-hour week under pressure, the unions are wary of giving up the strike for fear of being unable to resist unacceptable changes in return for reduced working hours. The two sides have reached an uncomfortable stand-off.

Repercussions will affect 87 companies

By Paul Abrahams and Paul Betts

THE DECISION by Airbus Industrie to close its final assembly line will affect airlines and leasing concerns worldwide. Some 87 companies have a total 774 Airbus aircraft on order and yet to be delivered.

Some airlines have committed themselves heavily to Airbus aircraft and expect to use them in the rapidly growing civil aviation market. The US carrier, Northwest Airlines, for example, is most exposed to delays. It has ordered 100 A320s to re-equip its ageing fleet, but has so far received only six. Air Canada, which has ordered 38 A320s, has yet receive any.

In the short term, however, analysts believe that the commercial implications for the airlines of any delays in aircraft appear limited. Air France says it expects to take possession of three aircraft due in March because they have already passed the final assembly stage.

However, if the dispute continues for another couple of months, airlines might be faced with greater difficulties. Many airlines expecting to increase their capacity this summer might be forced to adjust their schedules - a procedure that could involve additional costs and possible loss of revenue.

Airbus orders and deliveries (A320): main buyers

Airline	Ordered	Delivered
Air Canada	38	-
Air France	28	10
Canadian Airlines Int.	17	-
GATX AIR	20	-
GPA	40	-
Iberia	22	-
Int. Lease Finance Corp.	24	-
Indian Airlines	31	-
Lufthansa	28	5
Northwest Airlines	100	6
Total	520	74

Source: Airbus Industrie

Lufthansa, the West German company, which is expecting to receive 23 aircraft from Airbus by the end of 1991, has ambitious plans to increase its total capacity this year by 19 per cent compared with 1989. The company says that without the new Airbus aircraft it would be unable to run some of its summer timetable as planned.

To compensate for the late arrival of their A320s, both Lufthansa and Air France say they would retain their Boeing 727s, which they are due to sell. That would affect pilot training schedules and reduce capacity on certain routes, reducing potential profits. If a number of airlines follow that path, the prices of secondhand aircraft could also increase

The commercial implications of late deliveries for Airbus are unclear. The airlines could use the delays to invoke penalty clauses in their contracts with the company. Details of contracts between airlines and manufacturers are not normally disclosed, but it is common practice for them to contain penalties for late delivery.

Perhaps the biggest risk for the company is that the latest row will damage the group's overall credibility at a time when it is facing stiff competition from its two main US competitors, Boeing and McDonnell Douglas. The strike is already affecting the development of the $2bn (£1.2bn) A340 programme. The first A340s were expected to be completed this summer.

From the mood at Airbus yesterday, the feeling was that the delays could represent a severe setback for all four partners in the company at a time when it is planning to reach annual sales of around $14bn by the mid 1990s.

Boeing still dominates the market. In 1989 it received 887 orders compared with 632 in the previous year 1988. Airbus received 405 orders last year compared to 167 in 1988.

However, analysts in London last night were less concerned about the longer-term implications for Airbus.

"It's a bit of a blow," said Mr James Halstead, an international airline analyst at Salomon Brothers, the investment bankers. "But if you're going to buy Airbus, you buy Airbus. After all, Boeing has had its own strikes, too."

At first sight it's changed not a jot. But just wait until you put your foot down.

For a start, there's a new 3.9 litre engine which can accelerate from 0-60 in under 10 seconds.*

And then can reach a top speed of 111 mph* on the motorway. (Sorry, autobahn.)

To stop it, our engineers have developed the most advanced braking system in the world.

Their electronic 4-channel design prevents wheel-lock in any conditions and on any combination of surfaces.

A standard fixture on the Vogue SE, it's an optional (but very desirable) extra throughout the rest of the range.

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Inside, the Vogue SE exudes air-conditioned luxury. The fascia's covered with burr walnut; the seats, which adjust eight different ways, in Connolly leather. But to really appreciate the Range Rover you have to drive one yourself.

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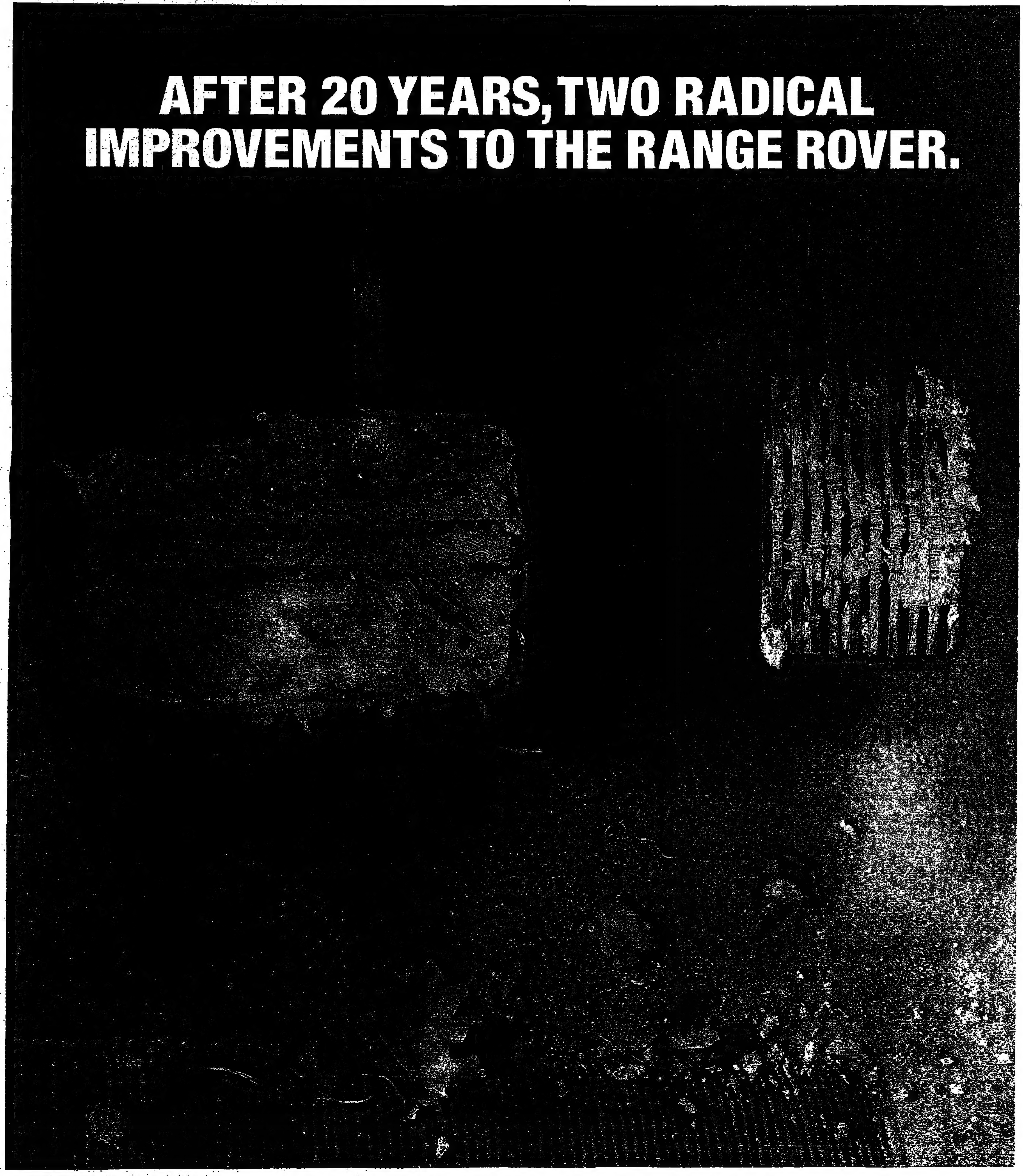

RANGE ROVER PRICES START AT £23,784 AND GO UP TO £31,949 FOR THE VOGUE SE. PRICES CORRECT AT TIME OF GOING TO PRESS, INCLUDE CAR TAX AND VAT, BUT NOT DELIVERY AND NUMBER PLATES. A 3-WAY CATALYTIC CONVERTER IS AVAILABLE AS AN OPTION ON ALL PETROL MODELS. ALL PETROL MODELS CAN RUN ON UNLEADED FUEL WITH NO MODIFICATION REQUIRED. FOR FURTHER INFORMATION PLEASE CONTACT YOUR LOCAL DEALER. *WHERE PERMITTED. MANUFACTURER'S DATA.

Analysts predict investment to drop

British industry set for £20bn historic deficit

By Simon Holberton, Economics Staff

THE possibility of a sharp slowdown in UK economic growth was raised yesterday after figures showed that British industry had a financial deficit of £15bn in the first nine months of last year, official figures released yesterday showed.

The financial deficit, which is the difference between what companies earn and what the spend, is at an historically high level and is expected to reach £20bn for 1989 as a whole - three times the estimated deficit for 1988.

City of London analysts said yesterday that to correct the deficit companies will have to reduce their holdings of stocks and cut future investment in 1990. If this were to happen quickly economic growth could turn down sharply.

The likelihood of slower growth in the economy also came with figures which showed a rise in personal savings. A move by consumers to raise their savings would imply slower growth in spending and output in the year ahead.

The Central Statistical Office's figures showed that company profits arising from activity in the UK and overseas fell in the July to September period of last year by 4 per cent. Compared with the third quarter of 1988, profits growth was 5 per cent higher.

Retained profits were, however, sharply lower. They fell by 25 per cent in the third quarter to £6.8bn from £9bn in the April to June period and were 35 per cent lower than a year earlier.

Mr Bill Martin, economist at UBS Phillips & Drew, said that retained earnings fell because of a dramatic rise in interest payments on borrowings, a rise in dividend payments, and these two factors occuring at a time when profits growth generally was slowing.

Interest payments were £5.8bn in the third quarter, up 8.5 per cent from the second quarter and 67 per cent up on the third quarter of 1988. Bank borrowing amounted to £13.8bn, nearly double the level of the April to July period and the level in third quarter of 1988.

Dividend payments rose 28.5 per cent in the third quarter and up 34 per cent on a year earlier. Mr Martin said the strong growth was probably defensive and reflected the high level of mergers and acquisitions last year.

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Ferranti to shed 386 jobs at north-west factory

By Ian Hamilton Fazey, Northern Correspondent

FERRANTI, UK defence contractor, is to shed 386 jobs at its cluster bomb factory in Moston, near Manchester, north-west England.

The company yesterday denied any connection with its troubles over the International Signal and Control fraud, saying that the job losses were to reduce overheads and improve pricing and competitiveness.

Ferranti, which employs about 5,400 people on seven sites in the Manchester area, has not been replacing leavers at Moston for several months, so that redundancies to be announced to 1,200 staff tomorrow will be kept down to 310.

The factory also makes artificial horizon instruments and air speed indicators for military aircraft.

A spokesman said yesterday: "There is a general cutback in defence spending. To maintain capability and presence in the marketplace we have to prune overheads."

Angry union leaders claimed that Ferranti was going back on previous assurances on job security and that consultation was being denied on choosing who should be sacked.

IN BRIEF

Call for marking of imported eggs to UK

EGGS imported into Britain are more likely to be infected with salmonella than British eggs but since current European Community legislation prevents the marking of individual eggs consumers remain unprotected, the Commons Agriculture Select Committee believes.

In a new report, the Committee says the British government should seek a derogation from the EC rules to make it possible for the consumer to identify imported eggs. At present only the boxes in which eggs are retailed may be marked with the country of origin.

Coal jobs face cuts

British Coal needs to cut its workforce by a further 5,000 men a year to remain the privatised electricity industry's chosen long-term fuel supplier, senior coal industry officials suggested.

Oil estimate up

Chevron, the US oil company has lifted its estimate of oil recoverable from the Ninian field, which it operates in the North Sea, by between 55m and 155m barrels. This has lifted the total original recoverable reserves in the field from 1.045bn to between 1.1bn and 1.2bn barrels.

House prices fall

House prices are likely to continue to fall for most of this year, but will recover strongly next year, the Halifax Building Society forecasts. The society's monthly survey says average annual house price inflation fell to below 3 per cent in December, compared with 34 per cent a year ago.

Kvaerner expands

Kvaerner, the Norwegian shipbuilding group, has bought a large stake in HLD, the privately-owned company that owns Clark Kincaid, the former British Shipbuilders marine engine manufacturer.

Penguin stands firm

Viking Penguin Books said there was "no question" of withdrawing hardback versions of Salman Rushdie's Satanic Verses from bookshops in spite of the launch of a new campaign by leading moslems to have the controversial book banned.

Hoover investment

Hoover is to go ahead with a £12m ($19.2m) expansion programme at its Merthyr Tydfil, Wales, washing-machine and dishwasher plant only three months after laying off 264 people at the plant.

Offshore merger

Two leading companies involved in offshore engineering have merged their offshore contracting operations into a single company. Rockwater-Offshore Contractors was launched as a joint venture between Smit International of the Netherlands and Halliburton of the US.

Ford dealer in crisis

One of the largest family-owned Ford motor company franchises in the UK, W H Baker, has called in the receiver following talks with its bank, Barclays. The dealer has been caught by the rise in interest rates, falling demand for car rentals and the collapse of the second-hand car market.

North Sea airlift

Relays of helicopters lifted more than 300 men from a North Sea accommodation vessel after two of its eight anchor cables parted in storm force winds. Owner Shell said the airlift was "a precautionary measure".

Treasury delays Third World credit scheme

By Stephen Fidler, Euromarkets Correspondent

THE Bank of England has been forced into an embarrassing delay in publication of the credit-scoring framework against which UK banks calculate the level of their provisions for loans to Third World debtor countries.

The review of the framework, known as the matrix, has been completed by the Bank, but is held up at the Treasury where there is apparent concern about its tax implications.

If the new matrix is accepted by the Inland Revenue as allowable against banks' tax bills, as was the original one first published in 1987, the estimated cost to the Treasury could top £900m in foregone tax revenues.

The Bank had promised that the review of the matrix – the first since the complicated credit-scoring framework was introduced – would be published well before the end of last year.

The Bank declines to explain the delay beyond saying that the review is still in its consultation stage.

A Treasury spokesman had no comment on the issue and would not confirm that the review was, as some bankers believe, on the desk of the new Chancellor, Mr John Major. It is not clear whether this reflects Mr Major's relatively recent appointment or his worries about the lost tax revenues.

Some bankers are worried that Mr Major may consider allowing provisions against tax an unreasonable subsidy to banks, and the reason for Treasury silence on the issue is that it is forming part of his budget deliberations.

UK banks are becoming increasingly frustrated about the delay because they are preparing their 1989 accounts. Some of the main banks, such as Lloyds and National Westminster, have already increased provisions beyond the level likely to be implied by the matrix.

Others, such as Midland, Barclays and Standard Chartered, are close to the expected level but must await its final publication to be sure.

The delay also affects other London-based lenders and even some banks outside the country for which the matrix is used as a guideline for provisions.

The matrix, which allocates scores to such issues as whether a country is paying interest or whether it has a current International Monetary Fund programme, was created as a supervisory tool and the Inland Revenue is not compelled to follow its guidance.

Mr Brian Quinn, executive director of the Bank of England, hinted in early November that the new matrix would imply an average level of roughly 50 per cent of provisions for UK banks, compared with about 32 per cent under the old matrix.

If this is the case, IBCA Banking Analysis, the UK bank credit rating concern, estimates that provisions among the largest bank lenders would have to be increased by about £2.6bn.

If allowed against tax, this would imply lost tax revenues, spread over some years, of more than £900m at an average tax rate of 35 per cent.

Gas body may face service guarantees

By David Thomas and Steven Butler

BRITISH GAS may have to offer all its 17.5m customers tight quality of service guarantees which would be backed up by large penalties if the company fell down on service.

The move is being considered by the Office of Gas Supply (Ofgas), the industry's regulator, as part of a preliminary review of the formula governing British Gas's domestic prices.

British Gas, which retains a monopoly over supply to domestic customers, has already sent Ofgas initial thoughts on how its performance could be monitored against service standards.

The standards will probably cover a wide range of consumer issues, including connection times for new customers, frequency of meter readings, arrangements for estimating bills and for disconnections.

Later this month, British Gas is due to publish the results of a survey on service levels it sent to all its customers in the autumn. It will probably follow up the survey by making specific proposals to improve service levels.

However, Mr James McKinnon, director general of Ofgas, is likely to insist on stronger quality of service targets than those volunteered by the company.

One possibility he is considering is for British Gas to appoint an independent ombudsman to whom customers would be able to refer their complaints.

Mr McKinnon is understood to believe that British Gas's quality of service is generally good, but that those customers who suffer poor service should receive large sums in compensation – possibly as much as £1,000 each.

Profits boost leads industry 'up market'

By Peter Norman, Economics Correspondent

INCREASED profitability has given British companies an incentive to move their products "up market" through research and development, improved designs and other expenditures on innovation, Mr Walter Eltis, director general of the National Economic Development Office, said yesterday.

He told a conference on the British economy organised by the private-sector Institute of Economic Affairs that the real rate of return in industry has risen sharply above the inflation-adjusted rate of interest charged despite bank base rates being set at 15 per cent.

"In consequence, there is currently an incentive to firms to finance moves up market," he said. "More generally, the excess of the rate of profit over the cost of finance means that there are clear incentives for UK firms to ... enhance their physical assets."

In this way, British manufacturers could follow the example of Japanese and West German companies which have increased their international competitiveness by making more up-market products. Such a development would help fill the gaps in Britain's narrow product range which currently are apparent in sectors such as machinery and consumer electronics.

Mr Eltis also said that Britain must strengthen the skills of its labour force in the interests of competitiveness.

He pointed out that the least-educated third of the British labour force is "particularly unqualified" compared with other nations. He said that British targets for the end of this century would still leave the UK lagging in standards compared with countries such as France or South Korea.

Tories to tighten loophole in labelling

By John Hunt

THE Government intends to introduce legislation to tighten up the Trade Description Act to prevent goods being falsely labelled as environment friendly.

A wider review of the Act is also being undertaken by the Department of Trade and Industry (DTI) with a view to introducing stricter controls over claims made by service industries – particularly those by package-holiday firms and estate agents.

A consultative document on the tighter controls over environmental products under the Act will be sent out today seeking the views of manufacturers and retailers on the proposals.

In addition, the Department of the Environment is taking action to improve the accuracy of environmental claims made for goods, such as washing powders, aerosols and cosmetics. A British scheme for the "echo-labelling" of such goods will be introduced as soon as European Community criteria are agreed.

The action follows complaints from the Consumers' Association and environmental groups about the number of dubious claims made for "green" products.

The DTI wants to improve the Trades Description Act because it was found that it could not apply to such a loose term as "environment friendly." This loophole will be closed.

Announcing the move yesterday, Mr Eric Forth, under secretary of the DTI, said it would not be possible to bring forward a Bill in the present session of Parliament, but it was hoped to do so at a later stage.

Goods are currently dealt with more severely under the Act than services. But it is intended to put services on the same footing.

The echo-labelling scheme was announced by Mr David Heathcote-Amory, under secretary for the environment. The labels will carry a distinctive symbol – similar to the German Blue Angel scheme – to show that the claims have been verified by a government body.

SIB attacked over strategic plan

By Barry Riley

THE Investment Management Regulatory Organisation has attacked the Securities and Investments Board's recent confidential strategic discussion document called "A Forward Look" as being "disturbing in a number of its implications."

Imro, one of the five self-regulatory organisations which report to the SIB, is concerned at the signs of growing interference by the SIB, which it claims in most issues should limit its role to that of co-ordinator. Imro complains of signs of a "strong centralist philosophy".

It also argues, in an eight-page "modification note", copies of which have been sent to all Imro member firms as well as to the SIB, that the SIB should not be pressurised into moving towards Continental-style regulation on an institutional basis (that is, by giving a single authorisation to, say, a universal bank with diverse operations).

Imro says that an institutional basis may be suited to a static, hierarchic industry. But a modern, sophisticated and innovative financial services industry, like that in Britain, requires self-regulation on a functional, or specialised, basis.

The document adds: "We would regret moves towards a system that perhaps looked tidier on paper, but paid insufficient regard to the needs of the British market and its self-regulatory system." Imro disagrees with what it sees as the apparent SIB view that the structure of Financial Services Act regulation somehow puts the UK on the defensive in Europe. It hopes that this understanding of the SIB's view is not one which is held in Whitehall or in Europe.

The Imro document emphasises the need for the SROs to retain a strong role in policy formation, and must not be confined to simple compliance functions. In a covering letter sent to member firms Mr George Nissen, chairman of Imro, says that Imro's board members may be interpreting the SIB paper wrongly, but as it stands it has caused concern.

Maxwell editors to become managing directors

By Raymond Snoddy

MR ROBERT Maxwell, publisher of Mirror Group Newspapers, has decided that the editors of his three national papers should also become managing directors of their titles as well.

"Editors should be responsible for everything on their titles including the money," Mr Maxwell said yesterday.

The decision in principle to give editors more power was the main reason why Mr Patrick Morrissey, managing director of MGN, is leaving the company after four years as managing director.

The company made it clear yesterday that the plan for editor-managing directors and the recently-announced proposal for a management buyout at The People, a popular Sunday tabloid, within the next two years was a serious point of contention with Mr Morrissey. "In these circumstances, it was amicably agreed that Mr Morrissey should leave his post," MGN said.

Mr Morrissey – a senior executive at Beechams, the pharmaceutical company, until he joined MGN – as been arguing for some time that the size and complexity of the Mirror group needed the appointment of a strong chief executive. He asked Mr Maxwell to appoint him chief executive by January 1 but that did not happen. Instead, he felt his role was about to be diminished, although it is still far from clear when all MGN editors will take responsibility for the business side of their papers.

"I have had the most enjoyable and stimulating four years and hope to stay in the media," Mr Morrissey said yesterday.

Curtain rises to reveal a ballet out of step

Antony Thorncroft on the crisis facing new productions at the Royal Opera House

IF Jeremy Isaacs expected an easy life when he moved 15 months ago from running Channel Four, Britain's independent television station, to administering the Royal Opera House Covent Garden he has received a succession of nasty surprises.

His working day may be full of music from the rehearsing orchestra and singers, which is piped throughout the House, but it is also packed with enervating crises.

His workforce at Covent Garden in central London is proving as obstreperous and belligerent as any group of television film technicians.

Mr Isaacs' brief was to encourage new productions of a higher artistic standard, and to make Covent Garden more exciting. To a great extent he has been burdened to date with productions, both of opera and ballet, which were planned well before his arrival, and, unfortunately, the majority have been badly received by the critics.

If standards have risen only fitfully there has been no lack of excitement at Covent Garden. A subsidiary aim was to rid the Opera House of restrictive practices.

Last year Mr Isaacs managed to negotiate a deal with the opera chorus which gave it a 9½ per cent pay rise, plus an extra 10 per cent for working more efficiently. This raised the pay of the 69 singers to £245 a week. Immediately the Corps de Ballet, which traditionally earned the same as the chorus, demanded a similar increase. But Mr Isaacs was keen to end this parity. The dancers are on a steadily rising pay scale and have greater career opportunities than the singers in the chorus.

By their fifth year in the Corps a dancer would be earning more than a chorus member and, if they are among the half dozen that reach the dizzy heights of star soloist, they could be negotiating a salary of £1,000 a week.

Mr Isaacs believes the pay of the Corps should be linked to dancers in other companies. Over the six months of negotiations he has raised Covent Garden's offer from 10 per cent to 15 per cent, giving them average wages 35 per cent higher than their competitors.

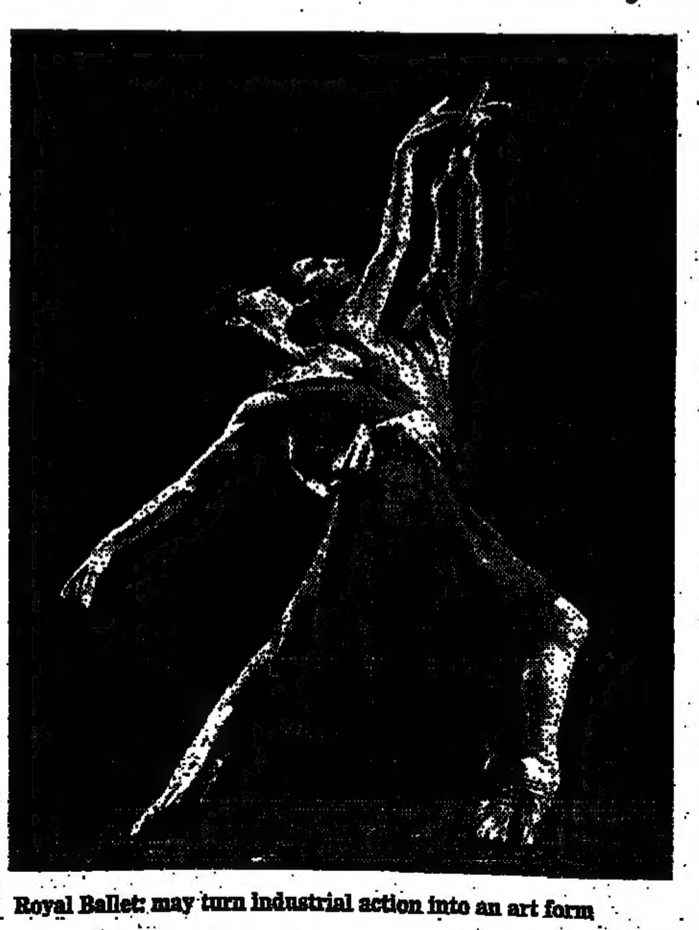
There was also an offer of more for the low paid at the expense of the more experienced, if the overall increase was kept within 15 per cent.

The 136 dancers proved unexpectedly militant and have voted for (unspecified) industrial action. Before Christmas their refusal to rehearse caused the cancellation of two performances, losing Covent Garden about £90,000 in box office revenue.

Now they are threatening to undermine the grandest, and, at £300,000, the most expensive, new production of the year, Borodin's "Prince Igor", which provides a rare opportunity for the Royal Opera and the Royal Ballet to perform together.

Already David Bintley's new choreography has been abandoned, but "Prince Igor" will go ahead on February 1, even if the dancing is much reduced.

There are undoubtedly principal dancers, (the name of Wayne Eagling frequently surfaces), who are encouraging the Corps to hold to a militant line, but at the heart of the dispute is the deeply entrenched belief that dance always takes second place to opera at Covent Garden.



Royal Ballet: may turn industrial action into an art form

Direct expenditure on the Royal Ballet in 1988-89 was £4.4m, as against £6.4m spent on the Royal Opera (with the touring Sadlers Well's Royal Ballet costing £3.1m), yet the Royal Ballet put on 150 performances as against 135 by the opera company.

Opera attracts most of the headlines, is seen as more glamorous, and is the undoubted first love of Jeremy Isaacs. The feeling lingers that relatively cheap dance evenings subsidise the expensive errors of the opera claque.

This overlooks the fact that opera is inevitably more expensive to stage than dance. This is reflected in its higher seat prices, a maximum £98 for the current "Otello" as against £41 for "Swan Lake": it brings in higher revenue, £100,000 a night from "Otello" as against £45,000 from a dance evening.

Mr Isaacs has tried to reassure dancers they are not second-class citizens but his main concern must be to hold the line financially.

This is what makes the dispute so irritating for him. Covent Garden is facing a £3m deficit this year, (partly caused by the rise in the wage bill of the chorus but mainly because corporate sponsorship is below target). The offer to the dancers will add £600,000 to the wages bill, consuming two fifths of of the generous 11 per cent increase in its 1990-91 grant from the Arts Council, which, at almost £15m, provides around 44 per cent of its income.

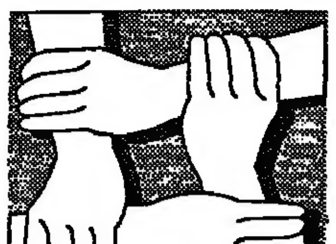
The board is examining ways of reducing the deficit and tough decisions must be made, involving yet another increase in seat prices, cutting back on educational and outreach work, asking more from corporate sponsors, and cutting costs on new productions.

Trouble from a Corps de Ballet, which has already been made an offer which could well damn Covent Garden in the eyes of its rigorous paymaster, the Government, is the last thing that the naturally combative Mr Isaacs can suffer lightly.

MANAGEMENT

Teamworking has moved from the experimental stage and is set to contribute to improved output and quality. But, says **John Gapper**, it is no easy option

At the end of the honeymoon...



Like motherhood and apple pie, teamwork has few detractors. *Ending the fragmentation of the labour process and grouping people together in teams to solve problems, work flexibly and take control of production seems an inherently humane idea. It can also promise greater productivity.*

The pernicious effects of the division of labour is one of the oldest themes of industrial literature. "Not only is the detail work distributed to the different individuals, but the individual himself is made the automatic motor of a fractional operation," complained Karl Marx in Das Capital.

In the many British manufacturing companies where demarcated production lines were held in place until the 1980s by machinery and tradition, the example of teamworking such as that at Volvo's Kalmar plant seemed an interesting experiment in Utopian ideas of little immediate relevance.

But the surge in capital investment in the mid-1980s provided many with an opportunity to rethink the labour process. Beyond that, the new technical demands of modern production lines – demanding fewer traditional craft engineering skills – gave an impetus for change.

The result has been a variety of experiments in teamworking, ranging from simple matching of workers with different skills in loosely-defined groups to a full transfer of production line control to small multi-skilled teams. The result is said to be improved output and quality.

The 1990s are likely to mark a transfer of teamworking from a common experiment to a normal method of work organisation. Japanese car companies in which teamworking is used extensively are already affecting work organisation in rivals in Britain and the United States.

From relatively simple manufacturing lines, teamworking has spread to processing sites which were thought to be less suited because of their size and technical complexity. And in the service sector, companies are starting to formalise group structures.

The impetus in the 1980s towards work reorganisation is likely to be matched in the next few years by a push from human resources managers to find ways of involving workers more and to give them greater autonomy to control and vary their work patterns.

Against this, teamworking may face a more sceptical climate in the next decade as its honeymoon period ends. Many team experiments in the mid-1980s emerged in virtually ideal conditions. Companies were setting up plants on *greenfield sites with their pick* of workers and new managers.

"A greenfield site is always going to be your best bet. You have to be an idiot not to get it right when you are given such a wonderful opportunity," says Stephen Argyle, formerly senior plant manager at Cadbury Schweppes' Creme Egg plant in Bournville.

Furthermore, some of the best known examples of teamworking have been running for only a limited period. Managers accept that there is a danger of the philosophy evaporating as workers' attitudes become entrenched and the initial surge in the training budget disappears.

But one sign of the grip that teamworking has come to exert on companies is the growing number of small-scale experiments being carried out by a range of employers. An example is Jaguar, the UK luxury car maker, which has made only limited moves towards multi-skilling – a common accompaniment to team working.

Jaguar has been developing a system of "zone teams" in its three plants in the Midlands. *Teams of about 10 people work* under a supervisor, within what the company has dubbed "process control centres" – areas of plant within factories that fit coherently together.

At the other end of the scale are complex experiments in teamworking on greenfield sites where the production process lends itself to an easy interchange of workers. At the £14.5m Creme Egg plant, three teams of craft and process workers operate on each of the four shifts

Argyle, now co-ordinator of Cadbury's Manufacturing Excellence Programme (MEP), says there was originally "some confusion" among the teams about what their function was. He says that MEP – a quality improvement scheme – has given them some common purpose and coherence.

He cites the example of the eight micron foil in which Cadbury used to wrap its eggs. A production line team suggested that 12 micron foil was used instead, saving tears and nicks. Despite the £100,000 extra cost annually, Argyle says this has led to significant quality improvements.

But he emphasises the changes in management style required to keep teams working effectively. At Cadbury, the teams have no supervisors, and Argyle says attempts at traditional tight management control of the production process would conflict with the teamwork philosophy.

None the less, some companies look to teamworking as a means of reinforcing traditional supervision. At Komatsu, in Birtley, Tyne and Wear, there is no clocking-in system or factory siren. Instead, the company relies on the transparency of small teams to help ensure good timekeeping.

Clive Morton, Komatsu's personnel and administration manager, says that the teamworking philosophy has "reinforced the role of supervision." Instead of being trapped between line managers and the shopfloor, team leaders have a clearer value in monitoring and improving team performance.

Michael Cross, a visiting fellow of the City University Business School who has studied teamworking in industrial plants, argues that teamworking is easiest to achieve where there are between five and 12 members in the team, where the production process puts the members in close physical proximity, and where there is frequent interaction among them.

It follows that chemical companies face a tricky task when they try to move away from a traditional reliance on craft workers under strict control. Exxon Chemicals has experimented with team structures in several plants, and its most advanced example is at Mossmoran in Fife.

At the ethylene plant, opened in 1985, technicians work rotating 12-hour shifts for 16 weeks at time. They then spend eight weeks on day shifts working on teams carrying out skilled maintenance work. The effect is to reduce the traditional division between craft and process workers.

David Denholm, human resources manager, says that teamworking has improved productivity by ending a myriad of demarcations among craft workers. But savings in managers' time spent in negotiating their way through these demarcations are absorbed by supporting teams and individuals.

Experience of the teamworking system at Mossmoran has led to a number of changes and refinements. One is in the shift system, which used to be eight weeks on operational work and four weeks on maintenance. The company found that workers were losing maintenance skills because of lack of practice.

A second change was a switch from an emphasis on each of the 180 technicians having broad-based skills to allowing individuals to develop "base skills" such as operating control terminals.

Although flexibility is still required, individuals can specialise more within teams.

Despite the consensus that teamworking has clear merits in improving work efficiency, there are difficulties in pinning down exact productivity improvements. Since they are often accompanied by big technical changes, it can be difficult to isolate the contribution of teams.

Cross has estimated that work teams within existing manufacturing sites improve line performance by an average of 18.5 per cent. But other observers place more emphasis on the general climate it creates in encouraging individuals to work and train as flexibly as managers want.

Rob Donnelly, head of the Confederation of British Industry's employee relations group, says teamworking can be a means of gaining greater employee involvement without risking disruption. He also points to the scope for achieving changes in work organisation without detailed negotiation.

But he emphasises that managers cannot see teamworking as simply an easy option. "It can fragment what a manager does with his time, because he is going round dealing with a lot of groups rather than dealing with things centrally," he says. The price of achieving teamwork can be a lot of effort.

Further articles in this series will appear on the Employment page.

Nearly all sweetness and light at Trebor

Fiona Thompson on the work organisation at a Cadbury Schweppes subsidiary

Niall Christie was in somewhat of a quandary when he set about introducing teamworking a decade ago. "We had never come across a company that had been daft enough to do this, so none of us knew how it would work."

Christie, general works manager at the Colchester site of Trebor, the confectionery manufacturer, is a man with a wry sense of humour. He is also hugely committed to the teamwork system which he devised and put in place there in 1980.

Trebor, a family-owned company until its takeover last October by Britain's largest confectioner, Cadbury Schweppes, was founded in 1907 and originally manufactured its Toffono and Lime Juice Chips in east London.

Following a period of expansion from the early 1950s to the mid-1970s, a new factory for the manufacture of compressed mints and Refreshers became inevitable; the site chosen was Colchester.

"Over time, the company had moved from family paternalism to modern professionalism," says Christie. "On the management side we had been stressing 'organisational development', that is, pushing the decision-making process down to the lowest level where the information was available, and it seemed a good opportunity to use a new site to expand this to include work groups.

"Our theory was, if OD is good enough for management, why not for the shopfloor? We were keen to give people choice in their work and the way it was done. It was not a question of 'Ah, let's get rid of chargehands to save money'."

The 280-strong workforce, widely consulted on the change, made it clear they wanted more complicated jobs and would be happy to see the demise of chargehands.

The entire Colchester factory, where a fine coat of sugar dust covers everything, functions on a work group principle, including the engineering, catering and welfare sections as well as the production side with its 13 work groups.

Each production group has between five and 12 people, and they organise their own method of working in terms of job rotation, breaks and quality control. They participate in selecting new recruits, contact the maintenance department and are involved with training.

To Marie McCarthy, an operator and trainer on the Refreshers line, it is much better than the traditional system because it means "no one breathing down your neck."

On the Extra Strong Mints line white-coated women wear ear-muffs as protection against the noise. In each of the workgroups one woman packs the sweets into boxes, another seals the boxes and a third loads them on to pallets. They regularly rotate their jobs at a time agreed by them, perhaps every hour, perhaps less.

The groups have the opportunity to raise issues related to both the production and personal functioning of the group at regular meetings with management. "If a production problem is raised, we arrange for a group member to spend time with a specialist to get help in solving it," says Christie.

"In the past, the shopfloor would say, 'You've got a problem, what are you going to do about it?' But under this system, if they have raised the issue and dealt with the problem then the solution is much more likely to work."

To Christie, the experience of the past ten years has proved that people can organise their own working life within the commercial needs of the factory.

But neither does he pretend that it was an easy task. "I had a fantasy that the development of people would happen overnight. That instant freedom would produce instant results. But it takes time for people to get the confidence to take hold of opportunities for change when they come from a traditional workplace. It was a two or three year haul."

And he admits "there were occasions when I wished we had never done it." These were not because of "people problems" but were mostly caused by the running of the plant.

Traditionally, a manager who wanted something to be done would just ask a chargehand to do it and "put the results on my desk." Under a workgroup system, a manager must explain to the group what he wants and get them to work it through or work it through with them – which takes much more management time.

He acknowledges that there were some infrequent minor irritations. "There are some individuals who will play the system for their own personal advantage, giving themselves the easier jobs, and there are differences in the degree of application some individuals bring to jobs.

On the plus side, Industrial relations are good as a consequence of the management team being very close to the shopfloor. "You can't be too far away if there is no-one in between to carry the message."

As far as performance comparisons with traditionally run factories are concerned, Christie claims Trebor does at least as well, possibly better. And absenteeism levels are much better.

He acknowledges that some managers "just cannot take" the work group system. "They are used to having the traditional buffer, the chargehand, between themselves and the workforce." But for the majority that succeeds "it is marvellous," he says.

Each Trebor production group organises its own job rotation, breaks and quality control and selects its own recruits

TECHNOLOGY

If the automated home catches on, the potential market is 150m dwellings in Europe alone. **Lynton McLain** reports on the feasibility

Remote control of home sweet home

One of the biggest untapped markets for electronic equipment since the advent of the silicon chip lies just behind the front door of every home.

This is the market for electronic systems for the so-called automated home, "one of the largest markets ever for goods and services," says the UK's National Economic Development Office (Nedo), with 150m dwellings in Europe as candidates for it.

The automated home is the *equivalent of* the computer-filled office and the automated factory. In the US, it is called "the smart house"; in France, "*la maison intelligente*".

But most of the names are misnomers, for the automated house, as currently conceived, is not a home that is automated. It is not able to activate or regulate itself; it is neither intelligent nor autonomous. There are no automatons, no robots, only people firmly in control, initiating the operation of various domestic machines.

A more accurate description is the "remotely controlled and integrated home," although the label "automated home" has stuck. It has sensors and controls that operate to programmes defined by the owner.

Thorn EMI has built one of Europe's first automated houses at its Hayes research laboratories in Middlesex. John Ryan, principal research engineer for communications and signal processing, says such houses have become possible because of a convergence of microprocessor and communications technologies at a time of falling costs.

He says the computer will become an everyday part of domestic life. "It will simply be the easiest way to do things."

Other companies have built experimental automated homes, including Creda, part of GEC, with a house near Stafford. Creda will market the system from September. The South East Electricity Board and Barratt, the house builder, have built two automated houses at Epsom, Surrey, in the Oracle project. People will live in the houses this year.

The main feature of automated homes is the linking together of everyday household equipment and communications systems.

Many homes have washing machines, cookers, video recorders, televisions, music systems and home computers. Some have security and lighting systems and energy management controls.

Many also have the communications links of telephone, radio and satellite broadcasting. But the appliances and the communications networks operate independently, with the exception of video recorders and televisions, and information services which use telephone lines and television screens.

Nedo says home automation means the linking together of domestic appliances and communications equipment, to give better control over what goes on in the home and to improve connections between the home and the outside world. It is the complete integration of domestic services through the use of computers and networks.

Most of the automated houses built so far are fitted with a mains signalling system, developed by Thorn or GEC for their houses and by Photrax for Oracle. The Photrax system is marketed by Northern Electric.

Mains signalling is one of seven ways for the home owner to communicate with the automated home network. A faint, coded signal is superimposed on the existing mains wires, which can then activate electrical equipment.

Infra red beams are another way of providing a network, but these links are only suitable for line-of-sight control. Other methods include new wire links, coaxial cables for equipment such as videos, optical fibres, radio links and the telephone.

Integration through a common communications network opens the way for domestic machines to "talk" to each other.

It is not self evident that a washing machine would want to talk to the cooker, or a humidifier to the central heating system, or the telephone to the kettle. Yet, these may be desirable connections. Somebody may want the cooking to start as soon as the washing is finished, or they may want the humidifier to come on only when the central heating is on.

The telephone talking to the kettle is not fanciful. It may not call the kettle "black", as the famous pot did, but it is possible for a telephone call – even from a car phone – to start any domestic appliance. Hot coffee could be truly instant for the high-pressure business executive rushing in at the end of the day.

Complex, sequential operations involving several machines are not possible, however, without a common way of communicating between units designed to common standards.

Nedo says in a report on automated homes that it is essential that each appliance should be able to respond to instructions sent by other machines, and to send instructions to them.

There are two main ways of achieving a common link between domestic appliances. One is through a central unit, such as a microprocessor, the other through a system of "distributed intelligence."

Under the centralised scheme, appliances do not talk to each other directly, but communicate through a central unit. Nedo says one drawback is that centralised control systems could "lock the consumer into a limited range of products and reduce competition." Manufacturers might produce systems in which appliances would not talk to equipment made by rivals.

Moreover, the more complete the integration, the less chance there would be of reverting to using the appliances individually in the event of a breakdown of the central computer.

Distributed intelligence systems are based on each appliance, including the unit with which the householder communicates with the network, having its own programmable microprocessor control. There is no central controller.

Each appliance is allowed to initiate messages to all other appliances and to identify and act on instructions received. In place of the star-shaped network architecture of the centralised system, appliances are attached to a ring communications network.

Since every appliance has the "intelligence" needed to act in the integrated network, home owners would not be tied to the products of any one manufacturer, provided standards were introduced to make each appliance compatible.

Attempts to standardise home automation systems, ready for the single European market in 1992, should boost demand at a time when Europe is lagging behind Japan and the US.

Japanese home owners, in love with technology, have routinely bought automated systems at their local department store. The US, too, has a developed market for home electronic systems, which can be fitted for around $7,000 (£4,200). Japanese and US companies are working on their own standards.

In an attempt to tap this market, some of Europe's electrical and electronics companies, such as Siemens of West Germany, Philips of The *Netherlands*, Thomson of France, Zanussi of Italy and Thorn EMI and GEC of Britain, have joined forces to seek financial support from the European Commission, under the Esprit information technology initiative, to standardise their systems.

The submission, being made today, calls for the present two-year Integrated Interactive Home Project to be extended by three years. The EC funded half the Ecu 17m (£12.5m) spent in the first two years.

The aim is that a German video recorder can communicate with a French television via a Danish infra-red beam signal machine, which switches on a British lighting system and starts an Italian dishwasher, all initiated by a home owner from a Dutch car telephone 30 miles away.

But the development of a market for home automation has also been held back by uncertainty about its purpose and the extent of the demand for it. Do people want to be able to switch on the oven from their car phone, when an oven timer would do the job, or to dim the lights before arriving home? Once home, do they want to be able to switch on lights in different combinations and sequences in all parts of the house from an armchair?

Barbara Stevens, a senior industrial adviser on home automation systems with Nedo, suggests that the typical first owners of remotely controlled homes will be "dinkies," couples with a "dual income and no kids" – and no time. They are likely to constitute the first 5 per cent of demand for automated home systems, she says, and each couple could spend between *£1,500 and £10,000 on a system.*

They will be able to telephone from their car phone to draw the curtains, switch on the cooker, start the coffee maker, light the driveway and even feed the cat when someone invents a simple, automated food dispenser integrated into the system.

By 2003, about 40 per cent of all homes will have automated systems, Stevens forecasts.

But not all people regard home automation as benign. The Nedo report found that some were concerned about a deterioration in the quality of their lives. "Passivity, isolation, de-skilling and atrophy of mental and imaginative functions" were some of the fears expressed.

Japanese car makers pursue luxury with mass production methods

It was to be expected that the Japanese car manufacturers, Nissan and Toyota, would innovate in production techniques when they decided to start making luxury cars.

Toyota's Lexus, launched in September, and Nissan's Infiniti, which followed in November, are aimed at the niches so *far* occupied mainly by Mercedes Benz and BMW, of West Germany, and Jaguar, of the UK.

While BMW, Mercedes and Jaguar have stayed with a basically craft approach to building luxury cars, Nissan and Toyota have both opted for production-line development, maximising automation to achieve precision.

So far, Toyota has not invited reporters to visit its Lexus line, but Nissan has opened up the Infiniti line at its Tochigi plant, 60 miles north of Tokyo, where the output is 3,000 Infinitis per month.

The Tochigi plant, Nissan's largest, is surrounded by a four-mile test track. The company has made its large models there since the assembly line for the Gloria and Cedric models was set up in 1971.

The Infiniti has been added to a line that already makes the Cima, an up-market car introduced two years ago, as well as the Cedric and the Gloria.

Nissan's method for putting in the extras that go with a luxury car – such as additional soundproofing and electronics – has been to take the Infiniti off the line at five points in its progress, for more personalised attention. It is evident on the highly automated assembly line that the cars with workers around them are the Infinitis.

Both Nissan and Toyota have emphasised precision in the assembly of the frame. "The basis of producing a good car is to be very accurate," says Masato Nakagawa, engineering section manager at Tochigi.

In the first off-line stage, lasers are used to position the numerically controlled spot welding machines. This reduces noise and vibration in the moving car because the engine and drive shaft fit together better, he says.

The second off-line function is a cosmetic one, smoothing over the spot welds that would otherwise be visible to the customer, notably those in the door frames.

Later, the Infinitis come off for the fitting of the sun roof, door trim and hydraulic suspension, and for the injection of urethane into the door pillars and roof to improve rigidity and reduce noise.

Next comes a special painting procedure, using fluoropolymer paints, to give the cars a wet look and cause the colours to vary in different lighting conditions. The gloss will last for at least five years, Nissan officials say.

At the end of the line, a few models come off to have a special gold flecked lacquerware dashboard installed – an extra that adds several thousand dollars to the price.

All the Infinitis go for computer testing of the engine, transmission and steering systems. Finally, they are taken through a 40-minute road test – including high-speed runs and tests for wind noise, satisfying door-closing sounds, and so on.

Some of the cars are also submitted to extremes of temperature and speed tests at up to 300 kph.

Nissan officials are cagey about the degree of efficiency achieved in the production of the Infiniti. Nakagawa says that making an Infiniti takes about 50 per cent more manpower than making a Cedric and that Mercedes Benz uses about three times the manpower per car that goes into a Cedric.

The Japanese company is also reticent about difficulties with the Infiniti line. Nakagawa says the biggest headache was the aluminium drip moulding. For reasons of appearance, it was decided that the moulding should be in one piece rather than two or three as in other cars. "It is the first time we have had such a *long single piece.* It took us about a month and a half to sort out how to install it."

But there is no doubt about what the company is most proud of. "I don't know whether you can call it mass production, but we are proud that we are making the highest quality car with mass production techniques," says Shinya Konishi, general manager of the Tochigi plant.

Ian Rodger

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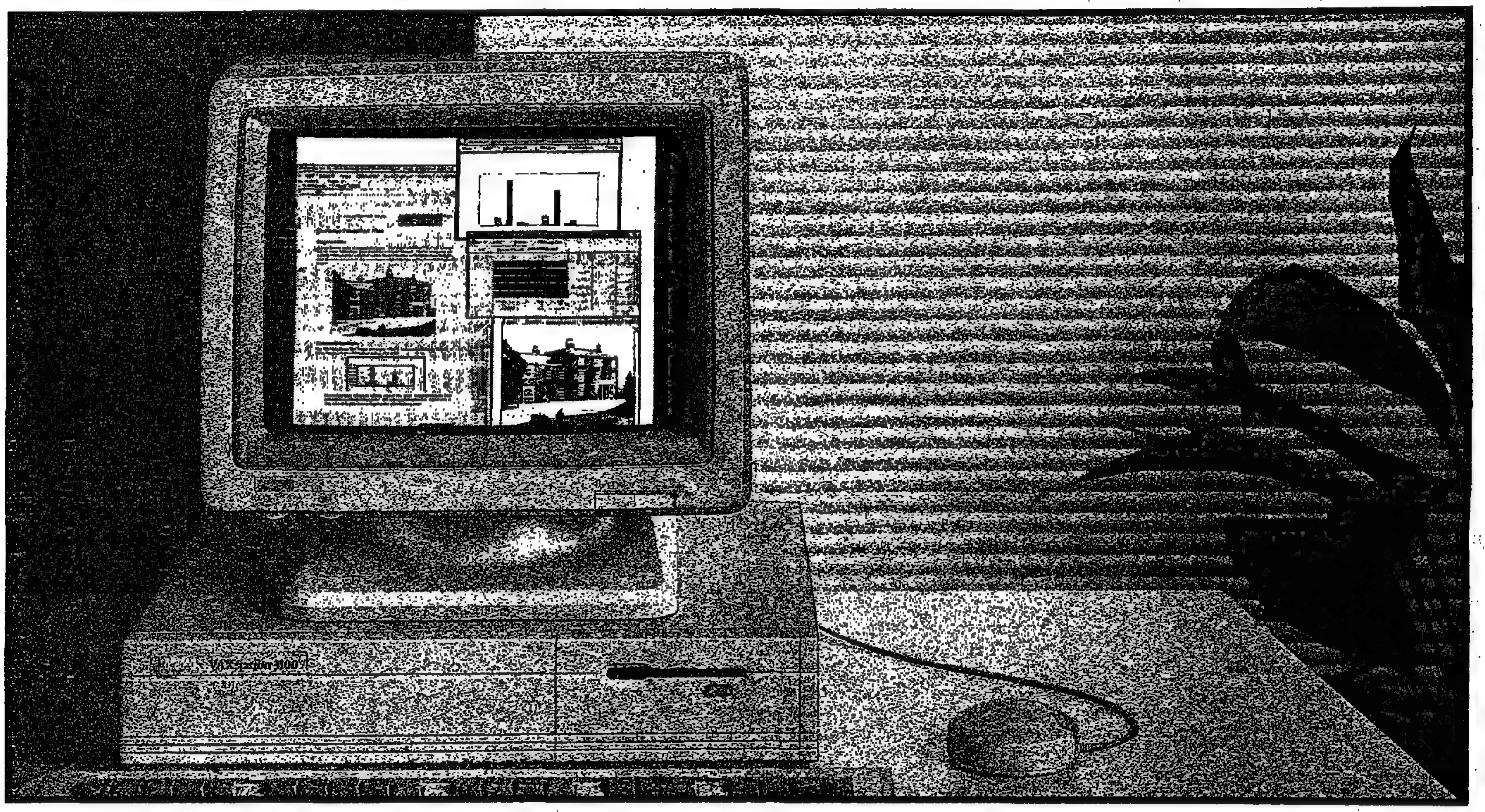

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ARTS

TELEVISION

High quality drama to silence the prudes

Television rarely treats us to anything as fresh, acid, funny and moving as *Oranges Are Not The Only Fruit* which begins on BBC2 tonight. It tells the story of Jess, an adopted girl, brought up in a Lancashire town by a mother who would be considered barking mad if her pathological obsession was with anything other than religion. Warned off boys by this hell-fire freak, Jess turns instead to girls and is promptly subjected by her mother's fundamentalist sect to the sort of persecution and torture so dear to the hearts of religious fanatics throughout the ages.

This three-part adaptation has been written by the author of the novel herself, Jeanette Winterson. She won the Whitbread Prize for the book and, if there is any justice in the world, will now win prizes for the television drama. She cannot take all the credit, of course. The acting by a sizeable cast is consistently superb: Geraldine McEwan as the maternal zealot, and Charlotte Coleman who plays Jess as a teenager, are both outstanding. But Elizabeth Spriggs and Margery Withers as other members of the sect, and – in today's episode – Emily Aston as Jess at seven, all contribute to some marvellous ensemble acting, as English as the damp tweed and bleak seaside scenes which feature so powerfully in this splendid production.

Even before the series has begun, trouble is being whipped up over the scenes of lesbian love making. There is only one of any significant length, and it is romantic, innocent and beautiful. It also happens to be mildly erotic and, like every other scene, is directed by Beeban Kidron and photographed by Ian Punter with the most vivid effectiveness. So there will no doubt be more trouble before we are through, from the sort of viewers who will see the religious maniac of a mother as a rôle model.

Yet this drama is so strong and so honest that in the end the fuss will doubtless be seen as petty, just like the fuss over *The Singing Detective*, a drama which has proved capable of withstanding any amount of fear and spite from the prudes.

Whenever the phrase "I'm no prude but – " is used by a publicity-seeking MP you can be fairly sure that what he has to say would make more sense if he began "I am a thorough-going prude and – ". Reactions to the first of BBC1's new *Dave Allen* series included at least one MP exploiting this droopy old formula because Allen had several times employed the best known English swearword. Those of us whose sides were aching from laughing at Allen's wonderfully well sustained half-hour monologue hardly noticed the word, any more than we do when we hear it in London clubs or Westminster bars.

Happily Sir John Wheeler, Tory chairman of the Commons Select Committee on Home Affairs, accused Allen's attackers of "prudism and bigotry" and remarked that "People don't have to watch Dave Allen, who is known to be a risqué entertainer, if they don't want to." How very refreshing. Sir John should be chaired shoulder-high through the lobby of the House and given the Order of Common Sense to mark the gratitude of the non-prudish viewing millions.

Other new drama series include London Weekend's *Stolen*, which sounded ominously like one of those modern series in which story and characterisation trail in a poor third behind the author's real concern: a mission to inform us about child sex abuse, or AIDS, or (as in this case) the abduction to a foreign country of children from mixed marriages.

It turned out, however, that Deborah Moggach had produced a remarkably compelling

Emily Aston in 'Oranges are not the only fruit'

story with the marks of high quality drama: characters with individual inner lives, moral ambivalence rather than blacks and whites, and dialogue which sounds as though it were recorded verbatim on a modern housing estate.

The Pakistani husband (Art Malik), so quiet and so concerned with establishing and improving the family home, bores his sexy wife (Cheryl Prime) to tears. She takes a job catering for weddings and directors' lunches, and then a lover – a minicab driver who is one of the lads: he plays the piano and makes her laugh. When the husband finds out, he is enraged and appalled, and Episode 1 ended with his collecting the children from school. The last shot showed his car abandoned on the dock and the ferry putting to sea. Even a jaded old television critic would want to make a date for the next episode.

Much the same could be said for *Waterfront Beat*, BBC1's Saturday night police series written and produced by Phil Redmond (creator of *Grange Hill*, and the Channel 4 soap *Brookside*, and, best of all perhaps, Southern's 1981 teenage series *Going Out*). Setting up anything such as a police series with an entire set of unknown characters and situations is a ghastly job, and this opening episode worked much better – and with less conspicuous shoe-horning – than most. Perhaps the research showed through in a little over-emphasis on police concern with "civilianisation" and "bureaucratisation," but at least that makes a change from the old "cop versus city hall" theme.

Dallas returned to BBC1 and proved, difficult though it seems, to be even more contrived and even more boring than before. (The old locked deed box routine: I ask you!) And the same channel began a situation comedy called *One Foot In The Grave* in which Richard Wilson – so memorable as Eddie Clockerty in *Tutti Frutti* – plays a grumpy security man who is involuntarily retired at 60.

Wilson's knack of looking and sounding like Eeyore (told that he is being replaced by an electronic entry system he announces gloomily "I am now officially a lower form of life than a Duracell battery") may carry this series to considerable heights. There were half a dozen good jokes in the opening episode, which is impressive.

There are plenty of new non fiction series too, of course: *Taking Liberties*, *Europe Express*, *It Doesn't Have To Hurt!*, and others but we shall come to those at a later date.

*

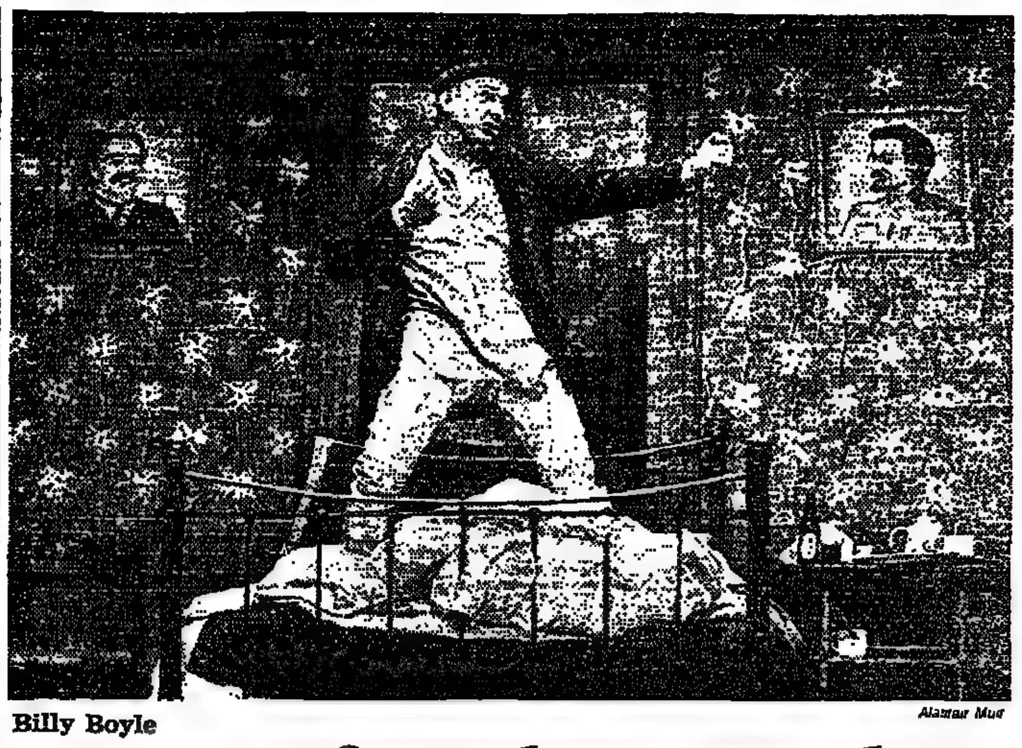
For now, several corrections are necessary. David Elstein, Director of Programmes at Thames TV, tells me that the words attributed to him by the *Daily Mail* and quoted in this column on 20 December ("We believe Christmas should be a time of enjoyment. On ITV there will be no sex and no violence, I can assure you of that. Those days have passed.") were inaccurate. As he recalls it, the reporter asked "What about sex and violence over Christmas Mr Elstein?" to which he replied jovially "I don't think we ever deal in that sort of thing do we? Certainly not over Christmas!"

In my decade round-up (28 December) I stated that Alasdair Milne succeeded Charles Curran as Director-General of the BBC, thus neatly eliding the entire Director-Generalship of Ian (now Sir Ian) Trethowan. He succeeded Curran in 1977 and Milne took over in 1982. Mea culpa.

Many in television news, ITN and BBC, are enraged at the way that several television critics, myself included, accused television of failing to change Christmas schedules to accommodate news about Romania. Both ITN and the BBC *did* run special programmes and I apologise for suggesting otherwise. But it is the misfortune of television journalists that even their greatest efforts can get lost among the light entertainment.

A letter from Mr M.J. Fisher of Albrighton (Letters To The Editor, 30 December 1989) asserted "Christopher Dunkley is wrong to say that the decade ends on December 31, 1991" but that is not what I said. What I wrote (FT 14 December) was: "The first year of the Christain era ended on 31 December 1 AD, so the first decade ended on 31 December 10 AD. Thus the present decade will finish not this month but 12 months from now on 31 December 1990." Calendars are notional, man-made things, almost always created retrospectively. To propose, as M.J. Fisher does, the existence of a year called "0, AD" seems to be an argument against the very concept of time. Would he say that a child who had lived 12 months had reached the age of nought?

Christopher Dunkley



Billy Boyle

Alastair Muir

Boots for the Footless

TRICYCLE THEATRE, KILBURN

With one brother stage right mouthing off for Republicanism and a second stage left flying the flag for the worker it's clear there's more than a bit of autobiographical impetus behind Brian Behan's first stage play. But one doesn't need an intimate knowledge of his family history to realise that this is a chip off the family block: with its ballads and its blarney, its hilarity and its humbug, *Boots for the Footless* bears more than a passing resemblance to brother Brendan's *The Hostage*, itself revived with some success at the pre-fire Tricycle.

Although no-one could charge Behan with advancing the frontiers of drama, there is something immensely refreshing, in these days of dour bearings of the Irish soul, about seeing the whole shebang sent up so toweringly as it is in Mike Bradwell's rumbustious production.

The play falls abruptly in two halves: the first act set in Dublin, home of the Sausage family, the second on the Festival of Britain site in London a year later in 1951, where uncle and nephews have signed on as navvies. Pistol-packing Martin (a gloweringly Celtic Owen John O'Mahony) is in flight from the law; Lar (Paul Boyle) from the political impotence, and Uncle Padser (Billy Boyle) from the crazed courtship of a cut-throat colleen with designs on more than his body.

The shenanigans of the first act brew up to pure emerald farce, with balladeers lurking behind every door, while Heather Tobias' rampant, ra-ra skirted Bridie is chased widdershins around the bed and a parcel bomb is tossed from person to person before exiting, with Uncle Padser attached, through the bedroom window.

The boom which ends the act sends one out into the interval mourning the loss of Billy Boyle's canny-faced conniver, but he's back immediately after it, warming toast on a brazier and welcoming his nephews to hang out (literally) in his hut. The arrival of Bridie in tattered wedding gear, the discovery of lead beneath the site and an imminent visit by the King and Queen keep the fizz level up, but all is not frivolity in the Behan breast.

The humour is primed by an acute analysis of the psychology of the Irish predicament. In the second act, especially, there are shards of uncomfortable insight, some (as in Padser and Bridie's sentimental duet about old Dublin), resonant despite their ridiculousness; others more sustained and complicated. In the character of Sullivan, site foreman, Behan creates a personification of "paddy" servility, which erupts into lyricism when the guns are pointed his way.

The statements are there for those as choose to read them, but they are never followed through (a point made mischievously clear when Martin's pistol fires a message from the playwright: "From here on in you're on your own.") Those who choose to ignore them can sit back and enjoy the sort of production that has put the Tricycle on the map.

Claire Armitstead

Opera shaken up last year in San Francisco

San Francisco Opera's 1989 season was beset with an unusual array of troubles, the least predictable of which was the October 17 earthquake; the gravest, the prolonged illness of its music director, Sir John Pritchard, who died of lung cancer at the age of 68 on December 5.

The earthquake prompted the cancellation of just one scheduled performance, the October 17 *Idomeneo* (which Pritchard would have conducted). While structural engineers assessed what turned out to be moderate damages to the War Memorial Opera House, the performances of Verdi's *Otello* and *Aida* and the *Idomeneo* on the following three days were given concert performances in costume in San Francisco's Masonic Auditorium.

Prior to his arrival in San Francisco, Pritchard withdrew from the revival of *Madama Butterfly* to concentrate his energies on two new productions, *Idomeneo* and Vivaldi's *Orlando Furioso*. As it happened, Pritchard's last testament from the podium was the *Idomeneo*, a fitting end to an illustrious career distinguished by his championship of the great Mozart score, which he conducted in its famous Glyndebourne première and twice recorded.

The new *Idomeneo* proved only a qualified success. John Conklin's striking neoclassical sets, Michael Stennett's handsome costumes and John Copley's minimal, slavishly literal stage direction conspired to confirm the outward notion that, as opera seria, *Idomeneo* is a dramatically inert succession of static tableaux. The seriously ailing Pritchard had to be helped to the podium for some performances, and his conducting, however loving and devoted, contributed to the phlegmatic quality of the production. It was not, in all, a climate in which any cast was likely to shine.

Wieslaw Ochman gave a creditable performance of the title role yet seemed severely taxed by it. Two notable Mozartians making company debuts, Karita Mattila as Ilia and Hans Peter Blochwitz as Idamante, sang commendably but to little dramatic effect. Nancy Gustafson seemed as ill matched to the role as she was to her outlandish costume.

The *Orlando Furioso*, on the other hand, made light of opera seria conventions and hobbled the Vivaldi masterpiece with a tiresome string of jokes. The Pier Luigi Pizzi production addressed itself to architecture at the expense of both music and drama, and the stage direction by his associate, Ugo Tessitore, was effete. Deputising for Pritchard, Randall Behr conducted Ulysses Roseman's new edition of the score with little feeling for period style.

The uniformly able cast of Susan Patterson, William Matteuzzi, Kathleen Kuhlmann, Jeffrey Gall, Sandra Walker and Kevin Langan sang resourcefully, with apt decorations of the da capos, but were not, under the circumstances, able to portray characters one cared about. Marilyn Horne gave an accurate, at times incisive account of the title role, making her greatest effect in the languorous legato passages.

Three performances of *Orlando* were taped for subsequent video release, as were three of Robert Carson's production of Boito's *Mefistofele*, borrowed from Geneva. The Michael Levine-designed production, new to San Francisco, turned out to be another crude lowbrow, postmodern joke that spoofed the composer-librettist's lofty aims. Maurizio Arena's flaccid baton and subacute interpretation finished the job. Samuel Ramey's handsomely sung, theatrically exciting performance of the title part was the production's one pleasure. Dennis O'Neill's effete (if well sung) Faust all but got lost in the ribald merriment, and Gabriela Benackova was an edgy, vocally uncertain Margherita/Elena.

The Italian opera revivals were dreary affairs, Kazimierz Kord's inert conducting draining the life from *Otello* and *Falstaff* (whose most distinguished performance came from the Alice of Pilar Lorengar, who received the San Francisco Opera Medal for a quarter century of distinguished artistry here). American soprano Sharon Sweet made her debut as Aida, from reliable reports singing a fine performance in concert at the Masonic. At the performance I heard, following one she cancelled, the soprano still sounded indisposed in a laboured performance. Company-trained mezzo Dolora Zajick made a meal of Amneris, saving focused, meaningful singing for the Judgement Scene.

As it often does, German opera provided the season highlights. The superlative *Lulu* early in the season was followed by revivals of *Lohengrin* and *Die Frau ohne Schatten* that featured conducting and singing of distinction. Wolfgang Weber's 1978 *Lohengrin* production, with Beni Montresor's silly, gauzy designs, has received better performances at each of its revivals, thanks largely to improvements in the conducting at each outing. Charles Mackerras' luminous reading for this season's revival was the production's chief glory.

In his company debut, Paul Frey made some beautiful sounds in the title part but seemed over-extended in it. The scheduled Elsa, Marianne Häggander, cancelled the performance I heard and was replaced by her cover, Meredith Mizell, who in a role debut supplied a beautifully voiced, deeply considered ultimately satisfying Elsa. Siegfried Vogel was a wobbly yet moving Heinrich. Eva Randová was a sturdy Ortrud with a greater dramatic than vocal presence. Vocal honours went to Sergei Leiferkus, making his American opera debut singing Friedrich von Telramund.

The company, which gave *Die Frau ohne Schatten* its American premiere in 1959, has a distinguished record with the piece. Jan Scalicky's costumes, new this season, did not fit into Jörg Zimmerman's 1976 designs and Grisha Asagaroff's direction was less compelling than Nikolaus Lehnhoff's original. But the conducting of Christoph von Dohnányi swept all about it, reducing those reservations to mere quibbles. His was a *Frau* devoid of instrumental extravagance and interpretive sensationalism – and brimming with telling details and long, sustained dramatic arcs. Cumulatively, this introverted *Frau* had a shattering dramatic impact.

Despite Dohnányi's masterful support the singing was uneven. Mary Jane Johnson's Empress and William Johns' Emperor were sketchy and unconvincing. Anja Silja, in a role debut as the Nurse, was an electrifying stage presence. Alfred Muff sang a sterling Barak, sumptuously voiced and keenly inflected. As his wife, Gwyneth Jones gave a searing performance that rose to dizzying heights of fury and defiance and softened to strains of heart-rending tenderness.

Timothy Pfaff

Park Lane Group

PURCELL ROOM

For more than 30 years the Park Lane Group has been bringing together young performers and contemporary composers in showcases of their wares. The "Young Artists and 20th-Century Music" series now runs for a week in the Purcell Room early in the year; it has become one of the fixtures in the South Bank's January diary, and in recent seasons has extended its activities to two concerts on each evening. So in this year's programmes a sequence of early-evening piano recitals (which includes all of Tippett's piano sonatas as an 85th birthday tribute) is combined with longer, more discursive programmes later. Edwin Roxburgh and Anthony Powers are the featured composers. It is, one quickly realises, the mixture very much as before.

Perhaps the PLG series has become too much of an institution – perhaps its invaluable function as a platform for the best talent emerging from our music colleges has taken precedence over the need to produce challenging and attractive programmes. There are problems in marrying together the repertory of, say, a solo trombonist and a clarinet quartet and the unpredictable nature of the talent; this year was obviously a good one for cellists and oboists, and even with the whole spectrum of 20th-century music from which to select it is difficult to arrange continually enterprising and varied fare. Shorn of their performing details one could instantly identify many a PLG programme by its curious lack of centre, its dutiful nods towards most of the century's 'isms, and its strangely selective coverage of living British composers.

Monday's opening brace brought the American pianist Thomas Kaurich in Tippett's First Sonata, Roxburgh's *Labyrinth* and Bloch's Sonata; the mezzo Adele Paxton and the accomplished clarinettist Dov Goldberg then offered Lutoslawski, Poulenc, Maconchy, Powers and Copland, with new works for each by Simon Parkin and Andrew Lovett. Only Copland's Emily Dickinson settings gave much to bite on; in what is an enormously demanding and profound cycle Miss Paxton (and her accompanist Caroline Dowdle) caught many of its moods exactly in an easy unforced way, though she was inclined to over-egg the expressive effects at moments when greater detachment would have served better.

*

Yet just how valuable the series has been in encouraging young talent was demonstrated on Sunday evening in the same hall when another PLG venture was launched. The Priaulx Rainier Memorial Concerts have been set up as a result of her bequest to the Worshipful Company of Musicians to promote contemporary chamber music and recitals by artists under 30. The first group to benefit was the wonderfully confident and lively Barbican Piano Trio, who were included among last year's Young Artists. All the members of the trio seem gifted and vivid solo players; in Hugh Wood's impressive Piano Trio of 1984 they seized the music with the kind of relish its large-scale gestures demand, while both the violinist Sophie Barber in Martin Butler's tricksy *Bluegrass Variations* and the cellist and pianist Robert Max and Rebecca Holt in Rainier's own slightly long-winded Grand Duo promoted their particular causes to the best possible effect.

Andrew Clements

ARTS GUIDE

January 5-11

THEATRE

London

Anything Goes (Prince Edward). Cole Porter's silly ocean-going 1930s musical has four or five marvellous songs and Elaine Paige failing to emulate Ethel Merman. Jerry Zak's desperately bright production comes from the Lincoln Center in New York and is undemanding fare (734 8951, cc 836 2428).

Jeffrey Bernard is Unwell (Apollo). Brilliant performance by Peter O'Toole as an alcoholic journalist who embodies a Falstaffian, nay-saying life force while committing public suicide by vodka. Keith Waterhouse has stitched a fine play, the season's highlight, from Bernard's own writing. Ned Sherrin directs (437 2663).

The Good Person of Sichuan (Olivier). Magnificent National Theatre revival by wunderkind Deborah Warner of Brecht's great parable of moral ambiguity about a Chinese prostitute who can only do good by adopting a vicious disguise. If poverty is not combated by political systems, what can an individual's compassion do? Witty new translation by Michael Hofmann. Fiona Shaw leads a fine cast in a play that is new-minted for the 1990s. Jan 11-18, Jan 29-Feb 3 (928 2252).

A Little Night Music (Piccadilly). Fine revival by Ian Judge, imported from Chichester, of Sondheim's 1973 schlagobers version of a Bergman film. A beautiful score, composed mostly in waltz time, is touchingly performed by Lila Kedrova, Dorothy Tutin (her best work in years), Peter McEnery and Susan Hampshire (867 1118).

Another Time (Wyndham's). New Ronald Harwood play, directed by Elijah Moshinsky, about a white South African family in Cape Town and Maida Vale. Albert Finney plays father and concert pianist son across 35 years, suggesting that talent is a means of escape and a reason for not going back. Janet Suzman and Sara Kestelman are electrifying in support (867 1116).

New York

Heidi Chronicles (Plymouth). Wendy Wasserstein's award-winning drama covering 20 years in the life of a successful American baby boomer goes from support for Eugene McCarthy's presidential aspirations to electoral ambitions in the 1980s, accompanied by the musical and emotional flavour of the period (239 6200).

Grand Hotel (Martin Beck). Tommy Tune, Broadway's present musical doctor, directs this remake of the Garbo film to at least shake the bones of this inert depiction of lives that criss-cross in an elegant, but somewhat random setting (246 0102).

Sweeney Todd (Circle in the Square). An intimate production of the Sondheim-Wheeler musical in contrast with the elaborate original a decade ago emphasises the descent into madness of Bob Gunton as the demon barber of Fleet Street (239 6200).

Jerome Robbins' Broadway (Imperial). Anyone attracted by the notion of three hours of film trailer previews will adore this compendium of Robbins' directed and choreographed plays of the past 40 years, including On the Town, West Side Story and Gypsy. The lustre of the credits is dimmed by the brevity of each piece, with a contemporary crew of Broadway aspirants who lack the multi-talents that inspired the heyday of the musical.

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Washington

Annie 2 (Opera House). The American theatre is not immune to sequel-itis, which plagues the other arts, and here ordains a return trip to the orphanage for Dorothy Loudon surrounded by 18 sets, 33 actors and one dog. Ends Jan 20 (467 4600).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd play the leads in this view of southern life from under the dryers in a busy hairdressing establishment (988 9000).

Tokyo

Kabuki. The festive new year programmes (at 11am and 4.30pm) at Kabuki-za feature all the top stars, including several Living National Treasures. Among the highlights of the matinee is a famous scene from *Benten Kozo*, whose underworld hero dresses as a lady of rank to carry out a raid. Opens Jan 2 (541 3131). At the National Theatre a triple bill featuring mainly younger actors and including Yanone (The Arrowhead), an evergreen new year favourite acted in the extravagant "aragoto" style. Opens Jan 3 (265 7411). Both theatres have excellent earphone guides in English as well as English-language programmes.

Madame de Sade. Yukio Mishima's most famous play is an attempt at seeing Sade through women's eyes and is given a highly stylised yet intense interpretation (in Swedish) by the Royal Dramatic Theatre from Stockholm, directed by Ingmar Bergman. Tokyo Globe Theatre (360 1151) Ends Jan 13.

Downshire Players

WIGMORE HALL

While other concert halls in London work overtime to establish a dynamic image, the Wigmore Hall has quietly continued to provide fare of a quality and variety that would be difficult to match anywhere else. This was the venue to be in the 1980s and there is no reason to suppose that the administration will allow standards to slip in the new decade.

The size and acoustics of the hall are welcoming not only to solo performers, but also small orchestral ensembles. The plethora of British early music groups has obviously worked to the Wigmore's advantage here. But there is scope for later music as well and it was good to see the first Sunday afternoon concert of the year going to the Downshire Players of London in an attractive programme of 20th-century pieces for strings.

This is an area in which standards are notoriously high. Favourite works – Stravinsky's *Apollo* or Bartók's Divertimento for strings – are the staple diet of groups like the Academy of St Martin-in-the-Fields. The Downshire Players included both of them and, if they cannot claim to rival their forebears in perfection of intonation or ensemble, they have no reason to fear comparison in the liveliness of their music-making under Peter Ash.

There is a keenness of articulation in the way they play, an outgoing vibrancy, that keeps the spirits high. In Britten's song-cycle *Les Illuminations*, which formed the central item on the programme, it functioned with no less brilliance. But in this work, with its strangely withdrawn undertow of feeling, it was a shame that they did not take the opportunity to find the truly intimate scale that the Wigmore would allow.

Against a vivid accompaniment the tenor Adrian Thompson sang with a judicious mixture of strength and Pears-like head-voice, while leaving other colours in the music, other nuances in the words unexplored. But no matter: the Bartók Divertimento made amends and its slow movement brought a long span of concentration and intensity that was the best thing the performers gave us. They are a good addition to the Wigmore roster.

Richard Fairman

FINANCIAL TIMES

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Cambodia's Gordian Knot

THE CIVIL WAR in Cambodia is progressing as an entirely predictable tragedy: propaganda claims outweigh military successes on both sides, while more people die in inconclusive battles. Western policy has much to answer for. The continuing bloodshed is due largely to the long-standing and indefensible Western support of Pol Pot's Khmer Rouge group which killed an estimated 1m people during four years in power prior to the Vietnamese invasion in 1978.

Representatives of the five permanent members of the UN Security Council are to meet in Paris shortly in a new quest for a peaceful solution. Other important meetings on the same subject are taking place at the UN in New York and, in Bangkok, between peace brokers and the four warring Cambodian factions.

In a complex diplomatic dance with multiple interest groups stepping out to more than one tune, the most important signs of hope are threefold: the Australians have produced a useful interim proposal behind which an increasing number of countries are coalescing, the West finally appears to be accepting the error of its ways in supporting Pol Pot, there is growing recognition that a step-by-step approach is more likely to succeed than previous searches for comprehensive settlements.

The Australian idea would have Cambodia administered under UN trusteeship pending elections, backed by a substantial UN peacekeeping force. Cambodia's seat at the UN would be vacated temporarily. There are problems. The warring factions have not accepted the plan. In addition, a monumental gaffe by the West permitted the Khmer Rouge group to retain Cambodia's UN seat last November and they cannot technically be removed until the end of this year.

Totally dependent

Nevertheless, all Cambodia's resistance groups and Hun Sen's government are totally dependent on external assistance. Cutting the Gordian knot to prevent prolonged bloodshed therefore involves bringing strong external pressure to bear.

Of the permanent security council members the Soviets have been been supporting and arming Hun Sen, who was installed by the Vietnamese; the Chinese, to their increasing embarrassment, have been arming the Khmer Rouge; the United States, for irrational reasons of Vietnam-phobia, has been opposing Hun Sen and arming the Khmer Rouge; Britain and France, together with the rest of the European Community, have discovered that it is impossible to confine aid to a specific resistance group. They have therefore found themselves backing, financing, arming and training Pol Pot's thugs for reasons which are a mixture of ineffective foreign policy and loyalty to the US. The fiercely anti-Communist ASEAN states have been opposing both sides.

Long overdue

There are long-overdue signs of new thoughts about these policies. Mr Igor Rogachev, deputy Soviet Foreign Minister, is in Peking discussing Cambodia with his Chinese counterparts. The most useful outcome would be a joint decision to withhold military support from their respective clients to give the UN a chance to try the Australian idea. Britain, supported by the EC, is trying to revise its policy and to take the US along – although persuading Washington to replace historical prejudice with humane common sense is proving difficult.

A further problem remains: Thailand's ambivalence. The Thais dislike the Khmer Rouge but continue to allow their vital supply lines to operate across the Thai-Cambodia border. These supply routes must be closed but the Thai army may need some help – a UN or ASEAN force perhaps.

Unity among the five security council members, with strong international support for a UN role to give Cambodia a breathing space would be an important first step towards a solution. If it fails because of Khmer Rouge objections or, worse, is not even tried, the civilised world has no sensible immediate option but to isolate Pol Pot and support Hum Sen: Pol Pot has had his turn at power and disqualified his regime for all time.

Accounting for goodwill

AFTER LONG deliberation, the Accounting Standards Committee is poised to issue an exposure draft on the subject of accounting for goodwill. The ruling – due by March at the latest – promises to stir up the sort of battle between industrialists and the accountancy profession last seen during the inflation accounting debate of the 1970s and early 1980s.

Goodwill is a term used by accountants to describe the difference between the nominal value of company's assets, as stated on its balance sheet, and the price paid for that company by somebody else. As a proportion of the net worth of companies which have made takeovers, it has risen sharply in recent years – from a mere 1 per cent in 1976 to 44 per cent in 1987, according to statistics from the London Business School.

The proliferation of goodwill is in part a consequence of the bull market in UK equities, during which small companies found themselves able to launch assaults on much bigger prey. It also reflects the growing importance in the UK of service sector businesses, the value of which is tied to people rather than the machines and buildings which grace the balance sheets of traditional manufacturers.

The accountants are about to argue that goodwill should be kept on the balance sheet and gradually written off against profits. The bigger the goodwill, the bigger the annual "hit" on the the profit and loss account. Jealous of every penny of earnings per share, industrialists are arguing that the present system, whereby goodwill tends to be written off against reserves, ought be kept as it is, however difficult it may be to defend on theoretical grounds.

Impeding progress

There is no worry about the stock market's reaction to diminished profits, say the accountants, for analysts will simply add back the goodwill charge when calculating their price earnings ratios. Not so, say the finance directors, concerned that the accountants have given up their role as minders of the score and have rushed on to the business pitch, generally getting in the players' way, moving the goalposts and impeding the progress of the game.

To the outsider, the arguments seem somewhat arcane: after all, why should it matter how a transaction is described in accounting terms so long as the transaction is the same?

One of the problems is that many finance directors now see themselves as facilitators of deals. The board decides on a deal, then the finance director finds a way of structuring the transaction so that it has no negative impact on reported profits.

Dubious policies

The bull market in UK equities spawned dubious accounting policies, many involving ways of getting rid of goodwill. Finance directors are now reluctant to endorse a proposal which will reduce reported profits, even if that diminution is a mere formality and has no impact on the stock market.

In principle, any move which tightens up lax financial reporting should be welcomed, however uncomfortable this may be for companies which indulge in accounting manipulation. But it is by no means certain that the ASC's proposals on goodwill, if and when they are are implemented, will improve the quality of financial reporting. There are serious theoretical objections to the proposals, not least of which is the arbitrariness of the 20-year period over which goodwill should normally be written off.

It is possible that the ASC wants its forthcoming edict on goodwill, together with a ruling on intangible assets such as brands, to be seen as a vigorous swan-song before it is replaced by the Financial Reporting Council and the Accounting Standards Board as envisaged by the 1988 Dearing report.

That is understandable. But what it is about to propose is at least as inadequate as what exists at the moment, a reflection of the limitations of historical cost accounting. The imminent dispute between industry and accountants will arguably eclipse more important financial reporting issues such as accounting for off-balance sheet finance and for inflation.

Paul Cheeseright examines London's growing surplus of commercial office space

The tipping of the property scales

Crane after crane breaks into the London sky. From White City and Hammersmith in the west, through the West End and the City, on both sides of the River Thames, to the Isle of Dogs and beyond in the east, there is more new building and re-building taking place than at any time for 50 years. The capital is being re-modelled.

Riding on the back of a surge in commercial property values, established landlords have become richer. Quick fortunes have been made by newcomers. But now the vibrancy of the market is ebbing. Fortunes will be lost.

Fears are widespread that the experience of residential property developers might be visited on the commercial sector. They may not be wholly justified but they are widespread. Who, it is asked, will follow Kentish Homes into the hands of the receiver? Memories of the 1974 property crash, when banks called in the debts of property companies, with potential assets and no cash, run deep in the property industry.

The notion that the London property dream is over, that capital values will no longer climb effortlessly, springs directly from the cranes above and the duckboards underneath. Too much space, too few occupiers. And, in particular parts of London – the City or Docklands for example – space is becoming available in greater quantities at a time of growing financial stringency.

"Possibly for the first time since the Second World War, in macro terms the supply of space in London and the south will exceed demand," Sir Nigel Mobbs, chairman of Slough Estates, one of Britain's largest property companies, told the College of Estate Management in Reading.

"But stark statistics mask the essential dynamics of the market. In Britain there is far too much poorly-specified, ageing property in prime locations. This property is unsuited to new technology uses and presents a risk to health and safety. Much of the new space now under construction is poorly-located for transport and takes little account of the user's needs," he said.

Here, then, is the London problem. Parts of the market are running into short-term difficulties. But, over the longer term there is a re-equipping of the white-collar sector that, short of slump, will continue regardless. The bridge between the short-term difficulties and the long-term process is the investment market.

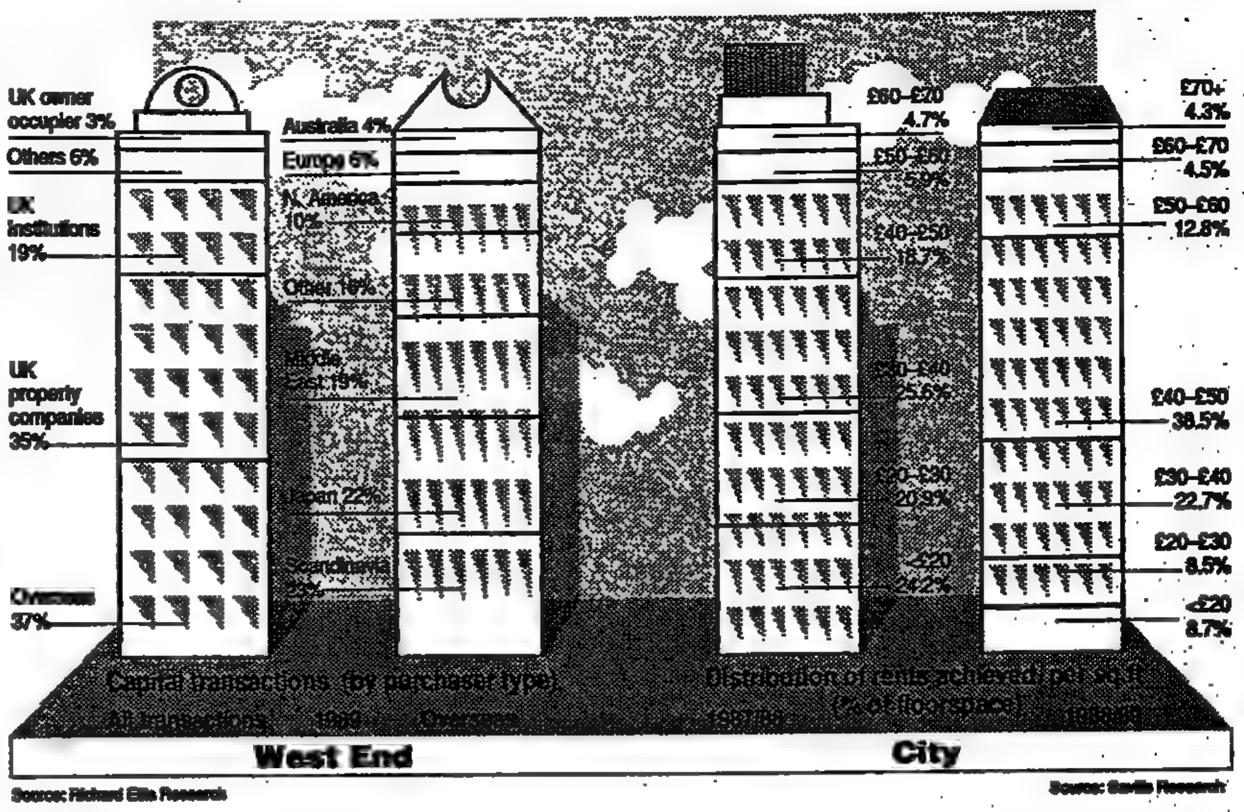
There is a degree of inevitability about these short-term difficulties. The property market tends to move in cycles. Developers respond to economic growth when that growth is manifest in rising rents, themselves an indication of a demand for space. But, when the response takes place, it can be over-enthusiastic, tipping the market from space shortage to space surplus.

The London property market is now tipping in those districts where there is most scope for development. In the West End, where landholdings are often small and where there is a high concentration of listed buildings, the provision of new and redeveloped buildings is limited. The big growth areas have been in the City, outside the historic centre, and in London Docklands.

The present cycle started in the mid-1980s. The combination of national economic growth, the growing importance of London as an international financial centre and the expansion of the financial services sector created pressure for new and modern office space.

Ideas of establishing a new office centre on the Isle of Dogs in London Docklands encouraged the City Corporation of London to relax a strictly conservationist planning policy. The shackles on development came off. There was a surge of building. Only now is there any sign of expansion tailing away, but, given the lead time necessary to construct buildings, the full market effect will not be apparent until 1991.

LONDON OFFICE SPACE



Source: Richard Ellis Research

Source: Savills Research

Demand for space has remained constant, but in the City and London Docklands the ability to meet it has increased, so that the heady rise in rents apparent from 1986 to 1988 has slowed down. Developers are having to offer inducements to tenants. Rental deals are taking longer to arrange.

'Possibly for the first time since the Second World War, in macro terms the supply of space in London and the south will exceed demand'

If all the building plans which have been announced take place, then between 1990 and 1992 central London would receive some 35m square feet of new offices. That is like building half of the City of London all over again. Nothing like that will happen, of course: plans will be delayed, planning consents will not be granted. But, coming on top of the growing availability of space, this level of ambition has a sobering effect on the market.

Savills, chartered surveyors, recently calculated that in the City over 10 per cent of the offices are vacant, double the amount in mid-1988 and that in Docklands there is a vacancy rate of 42 per cent. In the West End vacancy rates are minimal.

This year, Savills forecast, the vacancy rate throughout central London will average out at 7 per cent – higher than the rate to which the market is accustomed but still tight by the standards of, say, New York. Broken down, there would be a vacancy rate of 50 per cent in London Docklands, 14 per cent in the City but just 2.5 per cent in the West End.

Nearly 60 per cent of the space is second-hand. The more difficult it becomes to dispose of that, the more difficult it becomes for office occupiers to move into new premises. The market, given that the vacancy rate in 1987 was just over 1 per cent, is beginning to slow.

All of this could be dismissed as the normal ebb and flow of a market but for the Government's economic squeeze. The steady rise in interest rates since summer 1988 to 15 per cent last October has had two effects.

It has made companies more cautious about immediate expansion; that is, it has acted as a deterrent to decisions involving the taking of more space. And it has reduced the margins of the property developers, who, because of the downturn on the market and the greater availability of space, are becoming financially vulnerable.

It is the confluence of these two effects which has given rise to the fears of corporate failures along the lines of Kentish Homes in the residential sector. But such fears are not relevant for the larger property companies.

Such companies, with a strong asset backing, have sought protection by switching their short-term finance into long-term borrowing. They have been engaged in programmes of interest rate caps and interest rate swaps. Others have been engaged in elaborate financings which keep large segments of their borrowing off the balance sheet and give lenders recourse only to the properties under development.

Nor will the large London landowners be more than temporarily inconvenienced. Individuals like the Duke of Westminster, institutions like the Prudential and Norwich Union and investment companies like Land Securities have been able to ride on the back of the surge in values. Their holdings were in place before the surge started and they will be there when it is finished. Rents go up and down. The larger landowners just carry on collecting them.

Overseas investors have been able to see in the London market factors of resilience which carry little weight with domestic institutions

The likely casualties, rather, will tend to be smaller companies, perhaps privately owned, which jumped on the bandwagon after the surge in property values had started in 1986 and paid high prices for land outside the traditional central business district locations. The high land prices could be justified only on the basis that rents would continue to rise. In the City and Docklands the hope was vain.

Yet there is a paradox in the market. Returns on office property were over 38 per cent a year at the end of 1988, but had slipped to around 23 per cent by the end of last November. But the more obvious the downturn in London, the greater the enthusiasm of overseas investors.

Scandinavian, Japanese and now US investors put £1.35bn during the second quarter and £1.03bn during the third quarter into the central London market, according to figures from Richard Ellis, chartered surveyors. Domestic financial institutions have been able to sell into a strong market for the largest and most prominent buildings.

Clearly overseas investors have been able to see in the London market factors of resilience which carry little weight with domestic institutions. These factors are long term. They relate to the re-modelling of the capital and the realisation that modern buildings in central locations remain a valuable commodity despite short-term fluctuations in the property market.

The point here is that much of the office stock is obsolete. Central London has 155m square feet of office space, of which, according to Jones Lang Wootton, chartered surveyors, three quarters was built before 1960. Generally this older stock is unsuitable for the electronic office, the rooms are the wrong size and the wrong shape, the buildings are poorly ventilated, hot in summer and cold in winter.

Further, commercial habits are changing. Offices scattered all over central London are no longer accepted as efficient by domestic financial institutions. The clearing banks, for example, have been trying to draw their staff together. Merging accountants and lawyers have been looking for and leasing buildings where all the staff can be accommodated under one roof.

But a new office stock requires more spacious tracts of land than are available in the crowded centre. This was why Rosehaugh Stanhope Developments seized the opportunity to develop Broadgate on the north eastern side of the City. It explains the attraction of London Docklands to Olympia & York, the Canadian developers of Canary Wharf, the largest office project in the capital. Docklands could be to London what La Défense is to Paris, or Oakland to San Francisco, or Shinjuku to Tokyo: a new business centre to complement the traditional central business district.

But the creation of such centres takes place over a decade. La Défense took 20 years to come to full bloom. Equally, the projects to create new commercial communities at King's Cross in the north of central London, at Paddington on the west side, and, on a smaller scale, at County Hall on the south of the Thames, will not be realised until the mid or the late 1990s.

All of these plans point both to an enlargement of London's commercial property base as the services economy expands, and a growing decentralisation of activities within it. Broadly, the evolving picture is of a marketplace and a corporate headquarters area at the expensive heart and support for that marketplace around the cheaper periphery, with a few companies moving lock-stock-and-barrel to selected districts like Canary Wharf.

Accepting even a modest growth in the British economy and the maintenance of London's position as a significant financial centre, these underlying trends are impervious to the alternate bouts of wild optimism and dark gloom to which the property market is prone.

OBSERVER

The foot fetishist

■ The industrial dispute at the Royal Ballet and Sadler's Wells inevitably turns the mind to thoughts of feet. Some of the contemplations are irreverent; does, for example, a ballet dancer prancing to rule only undertake *entrechat quatre* not *dix*? Others are more sympathetic, since it is a known fact that bad feet are the curse of the dancing classes, which rest may cure.

But the real reason for dwelling on feet today is Joe Montana. The connection between ballet and American football, though tortuous, has been made before. Lynn Swann, the wondrous wide receiver from Pittsburgh, dabbled in dance during his career in the 70s. But rarely has it been raised to the scientific level of erudition of a recent New York Times article. This concluded that the success of the remarkable San Francisco 49er quarterback had less to do with his arm, legs or extraordinary peripheral vision than it did with his feet.

At the turn of the last decade, when Montana came out of college with only a medium reputation, the preference was for very tall quarterbacks with the ability to throw over even taller linemen. Bill Walsh, then newly installed as 49er coach and now reckoned to be the Einstein of the modern game, calculated that, mathematically, someone nimble enough to throw between and around, but not, of course, under them would make it big.

"As soon as I saw Joe's beautiful, gliding footwork – quick natural steps, just poetry in motion – I knew we could develop the disciplines in him," Walsh, now retired to the TV booth, recalled. Sam Wyche, himself a decent quarterback now running Cincinnati, was more precise. Montana's "jump rope feet . . . means his knees don't lock and he doesn't start all over and bend from the waist when he has to throw from an awkward position. He can simply rotate his hips. Every kind of pass is as natural and easy for him as pitching a piece of trash into the wastepaper basket."

This column has spent most of the afternoon rotating its hips, unlocking its feet and trying to hit the wastepaper basket with the above from ten feet in the face of a fierce pass rush from the assistant editor (economics). Ballet is a piece of cake.

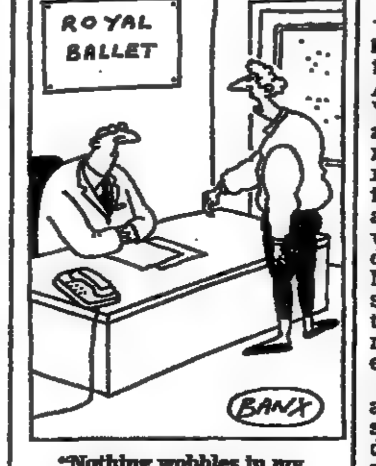
Cold feet

■ Ice hockey players are more prone to cold feet (and bad teeth) though the Great One (Wayne Gretzky, transferred from Edmonton to Los Angeles in exchange for the US-Canada free trade agreement) is in Montana's league as a fancy dancer. However, what really irks fans in Toronto is the fact that their beloved Maple Leafs have not won a championship in 23 years.

This is generally attributed to the eccentric penny-pinching ways of Harold Ballard, 86-year-old controlling shareholder of Maple Leaf Gardens, which owns the team. When he fell seriously ill last week, company shares leaped by 10 per cent in value. The market explanation was that his passing could lead to a redevelopment of the prime Gardens site in downtown Toronto. Every Canadian, though, was bullish for a different reason. The ultimate trade was now possible; the Maple Leafs get Gretzky in exchange for the St Lawrence Seaway.

Bootquake

■ Anyone still quaking in them over the Guinness affair and other City scandals can rest easy - at least from the latest literary offering.



"Nothing wobbles in my tights 'til there's more money on the table."

The Pride of Lucifer, the much pre-hyped unauthorised biography of Morgan Grenfell out this week, contains no startling revelation about the merchant bank with the legendary knack for controversy. Which is a pity, because for once this is a book written by an insider: Dominic Hobson who actually worked at Morgan for five years until he resigned in 1988.

Hobson himself blames Britain's fearsome libel laws. "The omissions in this book are involuntary," he writes. "Many stem from a libel law whose generosity to the plaintiff now stretches even to the excision of jokes which are made at his expense."

Still, the book is laced with a sharp eye and racy pen. Morgan, he says, was a place run by "public school bully boys" for whom management was "a despicable art," much inferior to the pursuit for self-enrichment.

Hobson insists he is not score-settling. "My lowly capacity within the bank means that I was left untouched by almost all the events described in (the book)." Pretty fast footwork.

Frozen toes

■ Contrary to popular belief, there is skiing in the French Alps. Unfortunately, even at Val Thorens, about as high as you can get, snow is heavily mixed with ice and rocks, thus requiring techniques beyond the average amateur enthusiast. Our chief economics leader writer succeeded twice in describing a J-curve, landing both times upon his right shoulder (he has monetarist tendencies), and necessitating retirement to the superlatively equipped medical centre.

He was privileged to spend an hour every day under sophisticated equipment for discharging electric shocks, sound waves and laser beams. This pleased the physiotherapists, who felt they were not getting enough action. Too much ice and too little snow mean too many breaks and not enough sprains.

Still, he was able to catch up on his reading, specifically the Economist's bumper Christmas edition's interesting dissertation on the history of skiing. Absorbing stuff, but – judging from the vociferous complaints of the French resorts over their third disastrous season in succession – one must wonder whether the business has much of a future.

Tripped up

■ Stephen Solarz, the Democrat from New York, gives a speech. Lady in audience thanks for "an absolutely superfluous" talk. Solarz: "thank you ma'am, I am planning to publish it posthumously." Lady, unfazed; "that's wonderful, I just can't wait."

Jurek Martin

Nick Garnett reports on Japanese investment in Europe's heavy machinery industry

Engineering a marriage

Japan's powerful heavy machinery and mechanical engineering industries are moving into Europe. In the past year, Japanese companies have been announcing a string of greenfield investments or acquisitions of production capacity, in countries ranging from Spain to West Germany.

Most attention has been concentrated in Japanese companies' involvement in Europe's electronics and car industries. But there is also a great deal of activity in the less glamorous areas of heavy manufacturing:

- Komatsu, Japan's biggest manufacturer of construction machinery has just taken a minority stake in Hanomag, a famous name in the West German earthmoving equipment industry, and plans to take majority control.
- Furukawa, a specialist maker of wheel loaders has acquired the French and West German factories of Dresser, a middle sized US machinery maker.
- Yamazaki, the world's biggest machine tool company which established a factory in Britain three years ago, says it is building a machine tool components plant in France and may in time do the same in West Germany.
- Fanuc, the biggest producer of robots and electronic controls for machine tools, says it will build an assembly plant for controls in Luxembourg and establish a technical centre in Stuttgart.
- Makita, which claims to be the world's biggest producer of industrial hand-held power tools, says it is establishing a factory in the UK to manufacture hammer drills, circular saws and other metal cutting implements.

Until recently, Japanese heavy manufacturing investment in Europe was largely confined to bearings and steel.

During the past few years, though, the picture has changed. Japanese companies now have full or part ownership of plants in construction machinery, machine tools, big press equipment, farm tractors and high voltage transformers.

In some sectors, there is just a lone Japanese company. Japan's presence in farm tractor production, for example, is confined to the former Motor Iberica vehicle building company in Spain. This was purchased by Nissan, which then hived off the farm equipment division to Kubota, a Japanese tractor and diesel engine maker.

In two sectors however – machine tools and earthmoving equipment – the Japanese have rapidly built up very substantial production capacity. There are about eight Japanese machine tool companies with plants in Europe, most of them in France.

In construction equipment, Japanese companies are now substantial producers in Europe of two key pieces of earthmoving machinery, hydraulic excavators and wheeled loaders. Japanese wholly-owned or joint venture businesses now produce almost 20 per cent of Europe's output of hydraulic excavators, 10 per cent of wheeled loaders and more than 60 per cent of mini-excavators, according to the Corporate Intelligence Group, London analysts.

The move to establish production in Europe has come about because of pressures that include the revaluation of the yen in the mid 1980s and Japanese worries about possible trade friction. (These concerns also led to a similar but earlier and larger push into North America.) EC anti-dumping duties on Japanese-made hydraulic excavators in 1985 seemed to have sparked off the move into construction machinery, with an extra fillip delivered by threatened action on mini-excavators last year. In machine tools, another consideration was the need to get closer to European customers for the supply of more tailor-made machine tool systems.

In the past 18 months, another factor has come into play. Many Japanese factories are now deluged with orders. Komatsu, which was busy last year making 3,000 units a month in Japan is now producing there at the rate of 3,500 a month. The Japanese machine tool industry has the biggest backlog of orders in its history, worth Y460bn (£1.9bn). There are shortages of both labour and components.

This has had two consequences. One is that Japanese companies are anxious to find more production capacity and new sources of components. The other is that there is far less resistance now than a few years ago from Japanese workers to their companies setting up factories abroad. Two years ago, for example, when domestic demand for machinery in Japan was weak, Komatsu shipped a steel casting plant to South Korea, sparking protests from worried workers. Those concerns were made worse by the building of Komatsu's new plant in the UK, but they have been eased by the bulging order books of the company's domestic factories.

The European deals have taken different forms. Greenfield projects – like Yamazaki's £35m Worcester plant, Kubota's mini-excavator plant in Germany and the purchase of an empty factory in Britain by Komatsu – have been rare. The majority of deals have involved the taking of minority and eventually majority stakes in almost lame duck businesses; acquiring shares in European companies with strong *products but in need of extra cash; or* joint venture deals, some on a 50/50 basis.

The main reason for this route into Europe is that there has been a kind of symbiosis between the Japanese and European companies involved.

For example, the biggest concentration of Japanese machine tool sites in Europe is in France – which has the weakest machine tool industry of the four biggest European economies. Toyoda, the machine tool arm of Toyota, took a minority, then a majority stake in Ernault, a French manufacturer of machining centres desperate for new investment and technology. Amada, the big Japanese maker of presses purchased Promecam, a French press maker many believed too small to survive on its own. (Amada also has plants elsewhere in Europe.)

Another case of symbiosis was the deal between Komatsu and Hanomag. The Japanese company needed extra capacity in Europe in addition to its new plant in the UK. Hanomag, a wheeled loader maker, had a very good product line but was short of funds to develop its factory and – unlike Komatsu – had a weak distribution network.

By contrast, in the case of the Hitachi-Fiat joint venture – a new factory in Turin manufacturing Hitachi-designed equipment with European components – the European company had weak products and the Japanese company wanted to boost its feeble distribution network. The two companies are merging their distribution systems.

Japanese investment in Europe remains much smaller than in North America. In construction equipment, for example, the merger of Komatsu's and Dresser's North American machinery businesses last year has given the joint venture nearly a fifth of the North American market.

It is not clear, however, how much more Japanese investment Europe can expect in these sectors. Some companies, like Komatsu, say they now have enough European production capacity. And some are content with smaller scale manufacturing arrangements under licences of one type or another. Nissan and Komatsu have forklift trucks made for them by Lancer Boss, a British forklift maker. Mitsubishi, in a deal with the Northern Engineering Industries division of Rolls-Royce, is supplying equipment and technology to the European market in gas turbines and switchgear. Takeuchi and Yanmar have their mini-excavators built by German and French companies.

Overall, however, further growth in Japanese heavy manufacturing in Europe is likely. And Japanese component suppliers – makers of control systems, hydraulics, electrical subsystems and so on – might well start acquiring European parts makers. Similar moves are already apparent on the back of Japanese investment in European car making.

Because these industries are highly fragmented, the Japanese presence will remain much smaller than in more concentrated sectors such as electronics. Japanese companies' influence will grow, *however, as their European* presence becomes more established. (They are likely to be joined by Korean companies, which will soon be setting up or acquiring their own European manufacturing facilities.)

The new arrivals will be able to increase their market share, partly because of the cost savings from shorter transport distances, partly because those companies that have set up joint ventures will have access to better distribution. None the less, most of the European heavy engineering industries are still very strong. The threat to European companies, therefore, is far less great than in sectors such as cars or consumer electronics where volumes are greater and products less specialised.

Japanese investment in European heavy engineering

Construction equipment manufacturing

Manufacturer	European partner	Location
Komatsu	Own plant	England
	* Hanomag (take over)	W. Germany
	* FAI	Italy
	* Brown Group	Norway
Furukawa	Dresser plants	W. Germany
		France
Hitachi	Fiat (joint venture)	Italy
Hitachi	Own plant	Netherlands
Kubota	Own plant	W. Germany
Nissan	Own plant	UK
Takeuchi	** Ahlmann	W. Germany
Yanmar	** Ammann	France
IHI	** R.B.Bolton/Imer	UK/Italy

* European companies manufacturing products for Komatsu

** European plants manufacturing Japanese equipment under licence

Source: Corporate Intelligence Group

Trade policy

The dangers of selective safeguards

By Robert Baldwin and Jagdish Bhagwati

The trading nations are engaged, in the Uruguay Round, in the Herculean task of rebuilding the General Agreement on Tariffs and Trade (Gatt). New sectors (for example, services) are to be included; new disciplines (for example, intellectual property) established; old failures (for example, textiles) corrected.

Compromises will be inevitable. But they should come through failures of accomplishments, not by surrender to those who seek to legitimate, rather than outlaw, the trading practices that flout the very principles whose embodiment makes the Gatt worth fighting for. And yet, on the critical question of rewriting the traditional "safeguard" provisions in the Gatt, the negotiations seem poised to do precisely that.

Currently, Gatt Article XIX permits member states to increase protection temporarily for a domestic industry seriously injured by unforeseen import increases. The protection must not discriminate among different suppliers, however. But, with the support of the European Community and the United States, the chairman of the safeguards negotiating group has now tabled a draft agreement which – while giving general endorsement to non-discriminatory application – states that the group should consider permitting country-selective restrictions in certain situations. This invitation should be rejected.

Non-discrimination is economically sound. If imports must be restricted, it is efficient to restrict them from the inefficient sources. Tariffs that apply equally to all will ensure this result. Selective quotas will not. Selective restrictions are politically targeted at countries that are vulnerable because they are weak. Political clout, not economic efficiency, becomes the key to gaining access to international markets.

Selective restrictions encourage more protectionism. If politically weaker exporters can be selectively hit, restrictions will cause less international fallout for governments than if all exporters, strong and weak, must be hit. The cost of indulging protectionism thus falls, and the incidence of protection correspondingly rises, with selectivity.

Selective quotas are also unfair to those in injured industries the protection is aimed at helping. Producers in uncontrolled countries expand their exports to take up much of the slack in supplies from the targeted countries. Even these latter countries upgrade the quality of their products so the value of their exports falls less than the quantity. As experience demonstrates, the result is that output and employment in the injured domestic industry rise less than expected. This sets off new political pressure for extending import restrictions to additional foreign suppliers. Ironically, this process can continue until all potential suppliers are covered – a result that non-discriminatory protection gives immediately and more efficiently.

The folly of selectivity is further manifest now that the world economy is increasingly globalised. The "spider's web" of criss-crossing investments makes it ever more difficult to target imports from specific sources. Are imports from Japanese companies producing, with or without local partners, in the United States also to be targeted by the Community when it targets their exports from Japan? This question has indeed arisen and threatens a proliferation of trade conflicts and of solutions with new and inherently arbitrary bureaucratic rules about "rules of origin" and "local content." Thus does selectivity add more to the Kafkaesque maze that threatens to overwhelm the trading nations, illustrating anew the wisdom of Gatt's architects in choosing non-selectivity.

Why then are the United States and the European Community calling for an examination of the circumstances under which selective safeguards might be applied? For answers, consider the following.

It is easier to secure legitimacy by changing the law rather than the errant behaviour. Evidently, existing Gatt-illegal, selective export restraint arrangements in such sectors as steel, semiconductors, automobiles, video tape recorders and machine tools are difficult to discard. Permitting selectivity would confer legitimacy on these protective measures, even though this is hardly what was meant by the Ministerial Resolution launching the Uruguay Round, when it was agreed that they would be brought into conformity with Gatt rules.

An explanation for the weakened commitment to non-selectivity by the United States can also be found in the recent growth of pressures for "managed trade." Exploiting the continuing trade deficit, powerful business and labour lobbies have chiselled away at traditional commitments to Gatt principles, encouraging import protectionism, unilateralism, regionalism and managed trade. The fear of the Far East has also prompted members of Congress to seek an aggressive trade policy with special US privileges as America's only salvation. Selectivity in restricting imports, the oldest form of managed trade, poses no problem in this climate. It becomes an added tool for isolating the "unfairly" successful exporters, while sparing those one seeks to favour.

But the cost of legalising selectivity would be exceptionally high. Its inadequacies are evident. But selectivity is also correctly viewed as a particular threat to the developing nations: they are weak and vulnerable. At a time when new disciplines are to be imposed on them in services and elsewhere, it would be mockery indeed to remove from them the legal protection of non-discrimination in the use of safeguards.

Above all, the fact is that managed trade is the antithesis of Gatt principles. "Saving Gatt" by sacrificing its tenets would be a triumph of form over substance.

The authors are Professors of Economics at the University of Wisconsin and Columbia University, respectively.

LETTERS

No more room at the Royal Opera

From Mr Jeremy Isaacs.

Sir, I hate to cavil at so informed and constructive an article as Antony Thorncroft's ("Lessons to be learnt from the Met," January 6), but I must do so for one reason; the measure he advocates to liquidate the Royal Opera House's financial deficit is not available to us.

He points to Bruce Crawford's achievement at the Met in bumping up attendances from 83 per cent to 91 per cent, and urges us to do the same. But we cannot; paid attendances at the Royal Opera House, both for opera and for ballet, are already at 91 per cent. Of the remainder, part – as is common practice – goes in complimentaries. In fact, less than 5 per cent of our total capacity is unsold, and that 5 per cent relates precisely to the freedom to include in the repertory less popular works which the Met has had to steel itself to exclude. We do seek to maximise audiences at Covent Garden, but for varied fare.

If we could sell 200 seats more a night at an average of our prices, it would add £1.5m to our revenues in one season, but clear only half our deficit. If we had the Met's capacity – that is 1,600 additional seats – we could hope to generate another £10m of income. But that would be quite another ball-game.

Jeremy Isaacs,
Royal Opera House,
Covent Garden, London

Much haste in outer lanes

From Mr Gary Backler.

Sir, Mr Wheeler (Letters, January 3) is correct in adducing bad driving as a big cause of traffic congestion. However, he omits to mention that this is particularly the case on our motorways, where the consistent failure of motorists to move back to the inside lanes after overtaking often creates false congestion.

Not only does this cause congestion and tailgating in the outer lanes, but in the long run, it creates the danger of false investment decisions in lane-widening or new motorways, which might be postponed, although not necessarily avoided.

The phenomenon seems to occur because drivers are afraid to return to the inside lanes in case the apparent congestion prevents them from moving back into the outer lanes to overtake the next slow-moving vehicle ahead. This sets up a self-feeding cycle.

Changes in motoring law may offer some solution, through minimum speed limits, legalising overtaking on-the-inside, or confining commercial vehicles to the inside lane. However driving tutors must play their part. Compulsory examination on this aspect of the Highway Code must be a criterion for passing the test, and student motorists must be exposed to motorway conditions.

Gary G. Backler,
13c St Stephen's Gardens,
East Twickenham, Middlesex

Degrees of seriousness

From Mr Peter Wood.

Sir, What are we to make of Mr Major's "immense seriousness" over environmental issues (interview, January 2) compared with current West German action?

From January 1 of this year under regulations to promote the use of catalytic converters, new German cars of 1.9-2.0 litres capacity will be exempt from tax for 31 months. In the case of vehicles of up to 1 litre, the exemption will be for 61 months. For cars up to 1.4 litres registered before January 1 the exemption will be retrospective.

Neither the Environment Ministry nor the Treasury is able to confirm any comparable proposals for the UK ahead of the spring Budget.

Peter Wood,
Newbold Farm,
Duntisbourne Abbots,
Cirencester, Gloucester

Practical and realistic

From Mr E.F. Fowler.

Sir, I was very disappointed to see Michael Dixon ("Real-life perspective," January 2) making yet another negative and belittling attack on the Management Charter Initiative.

As someone concerned with the practical problems of management development for well over 2,500 managers, I see the efforts of the Management Charter Initiative as ambitious, but practical and realistic. To *describe them as "an irrelevant* distraction" demonstrates a lack of understanding of the problems in very large areas of British industry and commerce.

There are, of course, no simple answers and members of the Association for Management Education and Development will have much to contribute to a complex national need. Whereas, however, I do understand what the Management Charter initiative is trying to do, – and support it – I do not know what the Association for Management Education and Development stands for.

The Management Charter Initiative has now achieved credibility and there is a national need for progress. Negative criticism, particularly in the press, is the real "irrelevant distraction," and we cannot afford to waste our scarce national resources on political *in-fighting.*

I am sure that the results of the association's conference will be relevant to the general needs of management development, but sincerely hope that they will be used constructively.

E.F. Fowler,
Management Development Manager,
BET plc,
Stratton House,
Piccadilly,
London

Energy Police might be both ineffective and too powerful

From Mr Larry Ruff.

Sir, Philip Stephens ("Search for the spirit of a new decade", January 5) asserts that a credible environmental policy will mean "a regulatory framework which treats wasteful energy consumption in the same way as emissions of noxious chemicals." If the implication is that the traditional regulatory approach to pollution control should be extended to control "wasteful" energy consumption, Mr Stephens has it precisely backwards: what is required is to extend to pollution control the market forces that already do so much to control wasteful energy consumption, while improving the energy market even further.

Market economies already have an effective and efficient way to control wasteful energy consumption: they make energy expensive. Since one person's cost-effective or even essential energy use is another person's waste, it is easy enough to attack others for "wasting" energy, even when they are paying full cost for it.

Since prices and markets are never perfect, there will always be either too much or too little energy use relative to some hypothetical optimum. But, on the whole, making energy expensive, even imperfectly, works quite well; most wasteful energy uses are eliminated without anybody noticing.

If wasteful energy use were treated in the same way as pollution emissions are usually treated, consumers would be free to use energy at little cost to themselves unless and until the Energy Police demonstrated that some specific use was "wasteful" and could be reduced with politically acceptable impacts on employment, profits, GDP growth, and competitiveness. Users of cheap energy would have every incentive to seek looser limits and deadlines on grounds of economic hardship, technological necessity or *force majeure*, by appealing to or above the Energy Police, who would be either hopelessly ineffective or dangerously powerful, or both. The record of such policies, whether applied to pollution control or to entire economies, is hardly an advertisement for extending them.

Growing concern about the environment highlights the need to price energy to reflect environmental effects and to seek cost-effective (that is profitable) energy conservation opportunities. But energy conservation and the environment are both too important to be managed without primary reliance on the only mechanism yet found for dealing effectively with truly hard economic problems: the market.

Larry E. Ruff,
Putnam, Hayes & Bartlett Ltd,
Lansdowne House,
Berkeley Square, London

FINANCIAL TIMES
Wednesday January 10 1990

Moscow raises gold price by 50%

By Quentin Peel in Moscow

THE Soviet Government yesterday raised the price of jewellery and gold by 50 per cent in an attempt to stop panic buying of the items as a hedge against gathering inflation and rumoured monetary reform.

It is the first significant retail price rise since the Supreme Soviet rejected attempts last autumn to impose new taxes on beer, tobacco and cigarettes.

The change, announced in the official press and radio yesterday morning, took senior government economists by surprise and resulted in jewellery shops closing their doors to the queues while they recalculated their prices.

At the Malachite Box in Kalinin Prospekt, a shop girl said they neither had any gold for sale, nor any clue of the new prices.

"They say we will be told the new prices tonight," she said. "But we don't have anything to calculate with."

The price rise is an official recognition of a wave of panic jewellery-buying which has led to huge queues and empty stores in Moscow and regional centres and a rampant jewellery black market.

Official sales of gold and silver rose 45 per cent in the first half of last year and Moscow stores say they virtually doubled over the year as a whole.

Wedding couples have had to obtain ration coupons to get their wedding rings and often accept ill-fitting sizes.

An assistant at one Moscow central store said the price rise would mean 14-carat gold wedding rings, which used to cost 45 roubles ($76 at the official exchange rate) per gramme, would now cost 71 roubles per gramme.

Against an official exchange rate of 62 kopeks to the dollar, and a tourist rate of 6.26 roubles, the rouble value of pearls has been estimated at anything up to 60 roubles to the dollar.

Rowdy queues, waiting four hours and more to make purchases of any jewellery on offer, have been a feature of the Moscow stores in recent weeks, as the waiting shoppers angrily insist that no one buys more than one item.

The growth in the black market for jewellery has also been prompted by worries over monetary reform, with citizens haunted by memories of the compulsory exchange of one new rouble for 10 old roubles introduced by Stalin in 1947.

Senior government officials, including Mr Nikolai Ryzhkov, the Prime Minister, have denied any intention of introducing such drastic internal monetary reform saying that it would hit old age pensioners and other savers.

However, it would be a popular move with trade unionists and ordinary workers who say it would hit black market millionaires the hardest.

The problem for the Soviet government is that an estimated 300bn roubles in surplus money is hanging over the economy, threatening instant inflation as soon as any liberalising price reform may be introduced.

As a result, urgently needed price reforms have been repeatedly postponed – now until 1992 for retail prices.

Most economists estimate that the inflation rate in the Soviet Union is running at more than 10 per cent, including soaring black market prices, while there is also an estimated 300m roubles of surplus money in the economy.

However one republic has gone ahead with first steps towards price rises, in spite of the feared public backlash. The Baltic republic of Estonia has agreed on a 100 per cent increase in the price of beer, 20 per cent for spirits, and 50 per cent for tobacco, to help finance higher pensions, student grants and social spending.

Moscow fights to preserve Comecon

By John Lloyd and Christopher Bobinski in Sofia

THE SOVIET UNION, battling to keep pace with change in eastern Europe, proposed yesterday that the Comecon trading grouping move towards trading in a hard, convertible currency from the beginning of next year.

If adopted, the proposal would end four decades of self-imposed isolation from world market prices since the 10-nation Comecon was founded in 1949.

The Soviet proposals came as several of its east European trading partners demanded changes in the way Comecon operates. The calls were led by Mr Miklos Nemeth, the Hungarian Prime Minister, who said that Comecon must "change or die."

Mr Nikolai Ryzhkov, the Soviet Premier, presenting Moscow's proposals, criticised the rouble as a hinderance to trade but rejected more radical calls for the dissolution of Comecon, likened by some to a glorified form of barter.

No one yesterday except Mr Carlos Rodrigues, the Cuban Deputy Premier, questioned the need to adopt world prices but all 10 members called for a transition period to cushion the effects of the change.

Mr Vladimir Dlouhy, the new Czechoslovak Deputy Premier, said that an immediate switch to world prices would have "disastrous" consequences for his country. Prague wants the transition to last until 1995.

On a similar note, Mr Tadeusz Mazowiecki, the Polish Prime Minister, said his country wanted to spread the "consequences and costs of adopting a market mechanism by common agreement."

The Soviet proposal was made at a meeting which showed how disparate the Comecon countries have become as they seek to restructure their economies and how urgent the need is for the grouping to adopt new rules if it is to stay together.

At the suggestion of Poland, Czechoslovakia and Hungary, a working party has been set up to suggest changes in the Comecon statute.

Comecon wants forward scouts, Page 3

THE LEX COLUMN

Corporate UK on borrowed time

For all the new-found optimism on the UK economy, the corporate sector's financial deficit is an irritant which will not go away. It was expected that 1989 would prove the second deficit year in a row, and yesterday's third quarter figures confirm it in style. The question now is whether the deficit will continue for an unprecedented third year: or if not, whether the gap is to be closed by rights issues or by a sharp reduction in corporate spending.

Allowing for the sketchy nature of the national accounts, the trend in the third quarter is unmistakeable: gross profits up 3 per cent on the year before, tax payments up 38 per cent, interest payments up 67 per cent. Granted, the excess spending seems largely discretionary; investment is up 11 per cent, dividend payments by two thirds and the purchase of shares in other companies by a factor of four, while the rise in stocks is negligible. Nor is gearing a worry, with interest cover at over 4 times. Among the big FT-SE companies, at least, heavy spending partly represents a healthy determination to remain internationally competitive, with no shortage of international debt to fund it.

Nevertheless, there is the promise of real pain among UK-dependent companies in the near future. The market cannot have it both ways. Its present cheerfulness owes much to its view of the domestic economy; but some domestic producers are going to have to slam the brakes on shortly, or else come to their shareholders for distress funding. It is not clear that the market is ready for either.

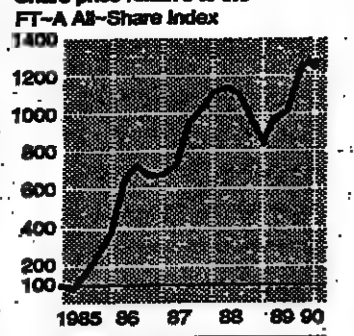
Parkfield

Since it joined the USM in January 1981, Parkfield has been the best performing share in the All-Share Index. A thousand pounds invested then would be worth over £120,000 now, even without allowing for dividend income. That makes the company due for a fall, especially as it is an unfashionably acquisitive conglomerate with the irritating habit of taking profits from asset sales above the line. But yesterday's 79 per cent rise in stated interim earnings suggests the reckoning may be some way off.

The endless round of acquisitions and disposals has at least left Parkfield with one major division which is a market leader in a high growth industry. Parkfield distributed over a third of the 60m videos sold or rented in the UK in 1989; it has tie-ups with three major Hollywood studios, 500 retail outlets which exclusively sell its products and a growing own label business.

Parkfield

Share price relative to the FT-A All-Share Index



As was hinted at the AGM, the shares ought to be supported by the juicy rating which predators would put on the video business. Even in manufacturing, the divisions either have long order books, as in the case of foundries, or good niche positions in otherwise difficult markets. If one division does look like lagging behind, Parkfield says it will simply sell out; a feat of timing it has managed successfully to date. Stripping out the asset sales, the shares are on a prospective p/e of 12.5, which fairly reflects the balance between the growth prospects and the chances of a long-overdue corporate mistake.

Wall Street

As January goes, so goes the year. According to Merrill Lynch no other Wall Street indicator has predicted the annual course of the market with such accuracy – only five times in the last forty has it proved wrong. And even if one does not believe in such market voodoo, there is no denying that despite the New Year rally, there is a more than usual amount of uncertainty about where Wall Street goes next.

Although the Dow hit an all-time high last week, the broader market indices have still not broken above the records set just before last October's sharp correction; market breadth – another important indicator for the technicians – peaked last August. Meanwhile, the full flood of 1989 US corporate results will soon be running, and it would be surprising if it did not provide a stiff test for the optimists. A year ago it was estimated that the earnings on the S&P 500 would rise by over 10 per cent in 1989. The best guess now is that they will be up by 2 per cent; and while the optimists are hoping for a 17 per cent bounce this year, the current market multiple of 12.4 times 1990 earnings may turn out more expensive than it looks.

Last year was the worst for the US auto industry since 1984, real estate problems are escalating and the future for highly leveraged companies like Campeau is most uncertain. An early recession is probably more of a threat than it seems. If so, Merrill's best guess that the market could fall by up to 700 points from its peak may not be too wide of the mark.

Tobacco liability

A recondite 88-page decision from a US appeal court is not something humble Wall Street security analysts like having to cope with. But the 2.5 per cent fall in Philip Morris's stock price in the last two days tells us that last week's ruling in the Cipollone/Liggett smoking death liability case represents important new information about the US tobacco industry. The hard part is to see through the fog of rhetoric both from the tobacco industry and from plaintiffs' attorneys.

On the face of it, last week's decision should not have knocked tobacco stocks at all. In June 1988, when a New Jersey jury awarded $400,000 to Mr Cipollone, whose wife had died of lung cancer, Philip Morris's shares were at $71; last October, they peaked at $45, after the re-rating including the impact of RJR/Nabisco and the BAT bid. After that performance, shrugging aside the $400,000 award, it looks perverse for investors to worry that the appeal court has thrown the award out anyway and ordered a re-trial.

The trouble for tobacco stocks is that the court has underlined the fact that a final resolution to the whole tobacco liability issue is still a long way off. Another case, as widely publicised as Cipollone, comes up for re-trial in Mississippi in April. Given the extreme fragmentation of the US legal system, litigation could ebb and flow around the industry for decades. The paradox is though that Philip Morris is starting to look a little undervalued again, on only 11 times expected 1990 earnings.

Creditors to hold talks on Poland's needs

By Stephen Fidler, Euromarkets Correspondent, in London

THE PARIS CLUB of creditor governments has called an unprecedented meeting for Friday to discuss Poland's financial needs over the next two years with the country's leading commercial bank lenders.

A meeting between the so-called Paris and London clubs to discuss a single country is thought to be without precedent and is at the invitation of the Paris Club. It reflects in part concern by some governments that commercial banks may not be willing to make new loans to Poland over the next two years.

Commercial bankers have on the whole welcomed the move, which appears to be an attempt to provide better co-ordination among Poland's creditors.

According to officials, three issues appear on the agenda for the talks: Poland's financing needs for 1990-91, the contribution to be made by each group of creditors, and an exchange of views about the country's economic prospects.

Poland's bank steering committee, led by Barclays Bank, will go on to Paris after meeting today in Vienna and with Polish government representatives in Warsaw tomorrow.

Officials say the British and West German governments are among those to have expressed concern that banks appear unwilling to put forward new loans to the Poles.

Until the fourth quarter of last year, Poland was paying its banks interest on time but had not been paying interest to government creditors.

The governments are anxious to ensure equality of treatment of the two creditor groups, and to make sure that governments alone are not left providing finance.

Poland is expected eventually to benefit from a reduction of its $9bn of commercial bank debts under the Brady initiative launched last March by the US Treasury Secretary, Mr Nicholas Brady.

However, the bulk of its $40bn in foreign debt is owed to the Paris Club.

Officials say the meeting is not intended to put forward a new plan for forgiveness of Poland's debts by the Paris Club, although this is thought by many to be inevitable at some time in the future. A meeting is planned for next month in Paris to discuss a rescheduling of these debts.

Until last month, governments would only reschedule the debts of middle-income countries such as Poland over a 10-year period, but a 14-year rescheduling was conceded last month for the Ivory Coast. A similar or slightly longer rescheduling period would appear likely for Poland, officials said.

Argentine shares rise but austral slips

By Andrew Marshall in London and Barbara Durr in Santiago

ARGENTINA'S stock market bounced back yesterday from a massive plunge on Tuesday, but the austral, the country's currency, continued to slip in the face of record inflation for last year.

The government is fighting an outbreak of hyperinflation, confirmed on Monday by the announcement of a record inflation rate of 4,923 per cent for 1989 as a whole. The cost of living soared by 40.1 per cent in December alone.

In response, the value of the free market austral fell to about 1,700-1,800 against the dollar yesterday, compared with about 1,200 on Monday.

The official December inflation rate almost certainly understated the reality, since it was only based on the period up to December 20. During the final week of 1989, the austral devalued heavily. This touched off hoarding and panic buying, with prices doubling overnight.

The previous record was 688 per cent in 1984. Argentina has recorded triple-digit inflation in 14 of the past 15 years.

The Buenos Aires Stock Market recovered rapidly from Monday's spectacular fall of nearly 50 per cent, bouncing back by about 15 per cent in value yesterday.

Trading volume was up by about a third to 45m. Mr Miguel Yribarren, spokesman for the exchange, said the market's recuperation "was better than expected."

The market had been one of the world's fastest growing markets, and had risen rapidly in December. Even at its low point on Monday it was only about 10 per cent below its level of one month ago.

The precipitous fall followed a government attempt to mop up liquidity and reduce its own domestic liabilities by converting 7-day austral deposits and some government bonds into long-term US dollar-denominated bonds.

The 7-day accounts accounted for some 50 per cent of all bank deposits, and the move sparked a rush to liquidity and an outbreak of short-covering on the Buenos Aires stock market.

"Shareholders sold to get australs to pay bills, live and go on holiday," Mr Yribarren said.

The exchange, last open on December 28, had been closed for two days for end-of-year national holidays, two days for bank holidays, and then the rest of last week by order of the board of directors, which feared the shortage of australs would drive down prices.

Dealers gesture frantically on the Buenos Aires SE

Challenge to Gorbachev

Continued from Page 1

bridge near Agdam, and Interior Ministry troops came under fire from automatic weapons when guarding another bridge in the Askeran district.

Gangs of armed Armenians and Azerbaijanis have been waging virtual guerilla warfare against each other and the Soviet troops for months, as Karabakh has suffered a blockade on both food and fuel supplies from Azerbaijan, in protest against Armenian demands to secede.

In the region of Nakhichevan, on the Iranian border, earlier riots and demonstrations had subsided by yesterday, although virtually all border installations in the area have been destroyed.

Mr Valentin Nikiferov, a Soviet deputy foreign minister, promised that a "zone of simplified contacts" between Azerbaijanis on both sides of the border was under active consideration.

Local journalists say they also expect a favourable response to the demand for 18,000 hectares of farming land to be released from the protected border zone.

On Sunday night, the two sides also permitted families to meet for two hours across the frontier.

In another significant gesture, the Soviet and Iranian authorities have agreed to redesign a hydro-electric scheme on the River Araks, the common border, so that the historic Khudaferin bridge, carrying a caravan route since the Middle Ages, would not be destroyed.

Kaifu unveils aid package for east Europe

By Leslie Colitt in Berlin

JAPAN'S Prime Minister, Mr Toshiki Kaifu, yesterday signalled his country's interest in the reforms sweeping eastern Europe by outlining a Japanese financial and economic aid package for the region.

Mr Kaifu confirmed that Japan would contribute the equivalent of $150m to the currency stabilisation fund for Poland which took effect last week and provide food aid worth $25m.

Speaking at the Japanese-German Centre in West Berlin, during a European tour which will embrace trips to Poland and Hungary, Mr Kaifu said the Export-Import Bank of Japan would finance "under certain conditions" credits of about $500m over three years to Poland and Hungary respectively.

Japan also planned to resume government coverage of trade and investment insurance for Poland with a coverage ceiling of $350m over two years. The ceiling for Hungary was doubled to $400m over a two-year period.

Mr Kaifu said Japan was prepared to transfer technology to both countries worth about $25m over the next few years. It would receive trainees and send experts in business management and the environment.

He said a large-scale survey mission on the "economic and investment environment" would be sent to Poland and Hungary this spring. Tokyo also wanted to negotiate investment guarantee agreements.

Japan planned to participate in the establishment of a European Bank for Reconstruction and Development to support Eastern Europe's economic reforms.

Mr Kaifu met West German Chancellor Helmut Kohl earlier, pleasing his hosts by referring in Berlin to the "legitimate aspiration" of the German people to unification.

The Japanese leader praised Mr Mikhail Gorbachev's "new thinking" diplomacy and earnestly hoped it would be applied "actively to the Asia-Pacific region as well."

A visit by the Soviet leader to Japan was being scheduled for 1991 he said. Mr Kaifu stressed that in spite of the waning of the Cold War the "Northern Territories issue" still existed, a reference to the formerly-Japanese Kurile islands which have been under Soviet control since 1945.

David Buchan in Brussels adds: Mr Kaifu is expected in talks with the European Commission today to call for closer political co-operation with the European Community, including a common approach to renewing contacts with China.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	13	55	Dubrovnik	S	10	50	Malta	R	14	57	Rhodes	S	12	54
Algiers	–	–	–	Edinburgh	S	7	45	Manchester	S	9	48	Rio de J'o	F	37	98
Amsterdam	C	8	46	Faro	S	14	57	Manila	F	30	86	Rome	S	15	59
Athens	S	11	52	Florence	C	11	52	Melbourne	F	23	73	Salzburg	S	1	34
Bahrain	F	19	66	Frankfurt	C	3	37	Mexico City	F	23	73	San Francisco	C	12	54
Bangkok	F	34	93	Funchal	F	17	63	Miami	C	19	66	Seoul	C	8	46
Barcelona	C	10	50	Geneva	C	3	37	Milan	S	2	36	Singapore	–	–	–
Beirut	–	–	–	Gibraltar	C	15	59	Montreal	S	-7	19	Stockholm	C	3	37
Belfast	S	5	41	Glasgow	F	8	46	Moscow	Sn	-2	28	Strasbourg	C	1	34
Belgrade	Sn	-9	16	Guernsey	C	10	50	Munich	S	-1	30	Sydney	R	20	68
Berlin	C	3	37	Helsinki	C	-1	30	Nairobi	–	–	–	Taipei	C	21	70
Biarritz	R	9	48	H. Kong	S	21	70	Naples	S	14	57	Tangier	F	15	59
Bombay	–	–	–	Innsbruck	S	-3	27	Nassau	C	29	84	Tel Aviv	F	13	55
Bordeaux	C	9	48	Inverness	S	5	41	New Delhi	S	17	63	Tenerife	C	18	64
Brussels	C	8	46	Islamabad	C	16	61	New York	S	2	36	Tokyo	S	11	52
Budapest	C	-8	18	Istanbul	S	5	41	Nice	C	7	45	Toronto	C	2	36
B Aires	F	26	79	Jakarta	R	30	86	Nicosia	S	13	55	Tunis	F	16	61
Cairo	F	17	63	Jersey	Fg	9	48	Oporto	S	12	54	Valencia	S	13	55
Cape Town	F	22	72	Jo'burg	C	21	70	Oslo	S	5	41	Venice	F	4	39
Caracas	C	26	79	Lima	F	25	77	Paris	F	8	46	Vienna	F	-6	21
Casablanca	S	15	59	Lisbon	S	10	50	Peking	C	2	36	Warsaw	C	2	36
Chicago	C	4	39	London	C	11	52	Prague	C	-1	30	Washington	Fg	0	32
Cologne	C	6	43	Los Angeles	S	10	50	Reykjavik	Sl	1	34	Zurich	C	-1	30
Copenhagen	C	4	39	Luxembourg	Fg	3	37								
Corfu	S	14	57	Madrid	S	8	46								
Dallas	S	6	43	Majorca	S	14	57								
Dublin	S	9	48	Malaga	S	16	61								

Readings at mid-day yesterday

C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Guerin quizzed in $215m fraud inquiry

Continued from Page 1

where the fraud is alleged to have taken place. The questioning will cover the events which led to his departure from the company in the spring of 1989 at the time Mr Guerin was trying to negotiate a buy-out of some of ISC's operations from Ferranti.

Mr Clark negotiated a $2.75m severance pay settlement from Parent Industries, Mr Guerin's private company, for which he was also employed. He was paid only $1m of the settlement, however, and started civil proceedings for recovery of the rest. This led to a Lancaster county court instructing Mr Guerin, who had guaranteed the payment, to deposit $1.75m in a Lancaster bank.

The money will be held there while Mr Guerin contests the payment. He is arguing that he was coerced into the deal by Mr Clark who, he says, was threatening to make statements which would wreck the buy-out plans.

Mr Guerin has produced tapes which, he claims, were made of conversations with Mr Clark. The tapes have been handed over to the court.

If the tapes are genuine, they may further complicate Mr Guerin's legal position, because Pennsylvania state law allows the taping of conversations by a public citizen only with the permission of the other party.

The deposition is being taken in private, but it should later be filed with the court, where it will become a matter of public record.

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INSIDE

Mixing it up in the world of cement

The recent acquisition of a further stake in Spain's Valencia de Cementos Portland by Aker of Norway is symptomatic of the profound changes currently being experienced by the world cement industry. Aker, headed by the charismatic Gerhard Heiberg (left), is just one of the groups battling to be a dominant force in the market. In a special report, FT writers look at the upheaval and its likely results. Page 25

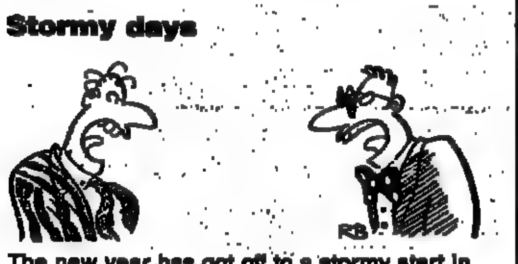
Money rates bend the markets

World equity markets were heavily influenced by exchange rate movements in the fourth quarter as European currencies rose strongly against the dollar and sterling. As a result, sterling and dollar investors made the bulk of their gains in continental Europe from currency rather than share price movements. The FT-Actuaries index for Europe excluding the UK rose by a meagre 1.9 per cent in local currency terms, but the sterling advance was 11.5 per cent and the dollar gain was 11.3 per cent. Page 42

Down but not out

Prices for most base metals have been coming down from record — perhaps even excessive — levels. London analysts suggest that the downward drift will continue this year but that prices will not sink to the exceptionally low and unprofitable levels of the mid-1980s. Kenneth Gooding reports. Page 30

Stormy days



The new year has got off to a stormy start in the US equity options market. The Securities and Exchange Commission's plan to inject more competition into the market has brought howls of protest from exchanges, which say competition should not go ahead until they have formed an electronic link between their trading floors. But, even here, there is dispute. The five options exchanges still cannot agree on what type of system should provide this link. Deborah Hargreaves reports. Page 27

Swimming at the deep end

Anglian Water was thrown in at the deep end of the private sector when, within a week of its flotation, Lyonnaise des Eaux, the French water supplier, announced it had built up a stake of 9 per cent in the new PLC. Yesterday, along with Welsh Water, it added to the flow of interim announcements from the newly-privatised UK water companies, reporting pre-tax profits of £28.5m. Welsh Water's pre-tax profit was £18.4m. Both results were in line with full-year forecasts in the companies' offer prospectuses. Page 29

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Bayer Hypo	439.5	+	9.5	Air Liquide	683	+	4
Daimler-Benz	859	+	22	Eurotunnel	68.1	+	3.3
Deutsche Bk	857.7	+	24.5	**Falls**			
Douglas Hldgs	822	+	25	BSN	743	—	6
Hamburg Elekt	190	+	12	CGE	526	—	7
Karstadt	695	+	18	Nav Mixte	1678	—	10
NEW YORK ($)				Paribas	690	—	12
Rises				**TOKYO (Yen)**			
Digital Eqp	89¼	+	1½	**Rises**			
Intel	37½	+	1½	Akazaka Diesels	1400	+	130
MGM-UA	15½	+	¼	Carolina	1320	+	120
UAL	164	+	7⅛	NEC Sys Integra	5870	+	580
Falls				Toei Chemical	1390	+	120
Cray Research	37⅝	—	1¾	Tokyo Style	2780	+	240
Paramount	50⅞	—	⅜	Toyo Chemical	1350	+	100

New York prices at 12.30pm.

LONDON (Pence)							
Rises				Whitbread	425	+	10
Bass	1058	+	16	**Falls**			
Brit Aerospace	574	+	4	Amersham Intl	383	—	9
Countryside Prp	219	+	10	Anglo Grp	318	—	12
Eurotunnel	683	+	20	Body Shop	619	—	18
Guinness	658	+	8	Brit Airways	226	—	3½
ICI	1198	+	18	Cable & Wire	571	—	12
NatWest	354	+	7	Fine Art	[illegible]	—	6
Racal Tele	403	+	9	Higgs & Hill	422	—	12
Reuters	1956	+	21	Leg & Gen	[illegible]	—	8
Rolls Royce	192	+	6	Parkfield	509	—	9
Sun Life	1310	+	32	Prudential	224	—	6
THORN EMI	822	+	19				

UAL studies recapitalisation

By Anatole Kaletsky in New York

UAL, the parent company of United Airlines, has asked First Boston, its financial adviser, to come up with a plan for a leveraged recapitalisation which would enable it to make a substantial one-time payment to shareholders.

UAL shareholders have been demanding action from the board since last October, after bank financing collapsed for a $6.5bn leveraged buy-out plan worth $300 a share. British Airways had been a participant in this plan.

UAL's share price plunged from a peak of $294 in October to a recent low around $150. It rose by $6⅝ to $163 in heavy trading yesterday morning, as Wall Street reacted to the board's announcement which came late on Monday night.

Analysts warned, however, that a successful recapitalisation was still by no means certain, since UAL's ability to obtain financing for a share repurchase would be constrained by the same factors that undermined the proposal for a leveraged buy-out.

Investment bankers said UAL would face three main problems in raising money for a recapitalisation. There is growing concern that the US airline industry may be moving into a downward leg of the business cycle. There is also the general caution among bank lenders and junk bond investors about highly leveraged capital structures.

Finally and most importantly, UAL's unions may well oppose a recapitalisation which would weaken the airline's balance sheet without generating any benefits for employees. The earlier LBO plan would have given unions majority control of the restructured airline.

Significantly, the Air Line Pilots Association reacted to the recapitalisation announcement by saying that it continued to support the idea of an employee-led buy-out of the company.

Meanwhile, Coniston Partners, the corporate raiding group which has accumulated an 11.8 per cent stake in UAL and has been leading the attack on the company's management, made only a guarded comment about the recapitalisation plan.

Coniston said it would "closely review the steps being taken over the next two weeks by UAL's financial advisers." It did not drop the threat of a proxy fight to unseat the board if the recapitalisation provided inadequate returns to shareholders, or if the plan failed.

Coniston, a group led by three Wall Street takeover lawyers and backed by substantial amounts of institutional money, was largely responsible for the creation of UAL in its present form.

Coniston bought a big stake in Allegis in 1986 and pressed management for over a year to break up the travel conglomerate, which included not only United but also the Hertz car rental business and the Westin hotel chain.

Coniston has suggested a creating a $5bn investment fund, backed by institutional money, to take even bigger stakes in companies which might benefit from restructuring and apply pressure for major changes in management or strategic direction.

UK groups spend less on US takeovers

By Vanessa Houlder in London

THE VALUE of acquisitions made by UK companies in the US in 1989 fell by 17 per cent to $27.9bn, according to a survey by J P Mervis, the London-based corporate finance adviser.

This raises the total spent by UK companies on US acquisitions *over the past decade to $123bn, of* which $91bn — nearly three quarters — was spent in the last three years.

The decline in spending in 1989 — which reverses the trend of the last few years — is deepened if the $6.3bn merger between Beecham Group and SmithKline Beckman of the US and the transfer of $4.3bn in payment for BP Minerals from RTZ to BP are excluded, in which case UK spending fell by 48 per cent.

Mervis suggests that the decline in 1989 stemmed from UK companies turning their attention to continental Europe in the approach to 1992, although it points out that the value of US *acquisitions still greatly exceed* the value of those in Europe.

There were five transactions over $1bn in 1989 of which none were hostile bids — in sharp contrast to 1988, when all six acquisitions over $1bn were opposed by the target.

The total number of companies bought during the year fell by 23 per cent to 326. Small acquisitions — defined as under $20m — accounted for at least two-thirds of this number, continuing the trend of the last four years, when they have accounted for an increasingly large proportion of the total.

The most popular region for acquisitions was the North East, *for the sixth year running.* The largest sector by value was medical, followed by consumer products and services and natural resources, each owing their position to a single large deal. In terms of the number of acquisitions, industrial services and distribution took the top slot.

Unilever, the consumer products company, was the most active acquiring company, followed by BET, the services group, and WPP, the marketing services company.

The issue of new shares by the acquiring company accounted for just $2.5bn, which is less than 10 per cent of the total paid and less than half the amount in 1988. *Mervis suggests that the experience* of Blue Arrow, Saatchi & Saatchi and WPP shareholders who funded ambitious US acquisitions has acted as a deterrent.

The number of US businesses sold by UK companies rose from 80 to 95 although the amount realised was almost the same at $9.3bn.

J P Mervis & Co, 61 Doughty Street, London WC1N 2NH. £200.

Barbie bites back

A corporate overhaul two years ago has brought stability and success to Mattel, the US toys group, and it has now purchased Corgi of the UK to help its thrust into Europe. Karen Zagor reports

Mattel, one of the world's biggest independent toy makers, which last month acquired the UK's Corgi Toys, seems to have found a formula for stability and success two years after a corporate overhaul.

The company, which has been one of the most erratic performers in the volatile US toy industry for nearly two decades, is profiting from its core brands and successful new toys at a time when many of its competitors are looking at sluggish sales and flat earnings.

One of Mattel's greatest strengths, according to Mr Gary Jacobson, a toy industry analyst at Kidder Peabody, is its balance of old and new products. This has allowed the company to spread risk over a large number of toys.

Barbie, Mattel's 30-year old fashion doll, has found success with a new generation of little girls and is currently one of the fastest selling toys in the US, second only to Nintendo video games.

The company's Hot Wheels car range, which was launched in the 1960s, is also selling well, as is its Little Miss Make-up.

Mattel has even managed to cash in on Nintendo's popularity by selling a Nintendo Power Glove. This works as a "joy stick" control lever for the games.

Furthermore, Mattel's Disney-based pre-school line of toys, introduced in the second half of 1988, looks very strong.

The figures speak for themselves. Mattel's net sales jumped 25 per cent to $877.6m in the nine months to September 30, while net income more than doubled from $25.4m to $58.9m during the period. Mr Jacobson, of Kidder Peabody, expects earnings in 1989 to more than double, and to increase by around another 30 per cent in 1990.

This growth is no minor feat for a company whose earnings have swung between the red and the black at an alarming rate. In the last 16 years, earnings per share have gone from a loss of 21 cents in 1974 to profits of $1.78 in 1982 to a loss of $2.36 in 1987. This year's per-share earnings are expected to be at least $1.90.

The company's shares have been equally volatile. They now change hands at more than $19 on the New York Stock *Exchange, well above the $10¾* high in 1988 but a far cry from the company's glory days in the early 1970s, when its stock commanded as much as $52¼ on Wall Street.

According to Mr Lindsey William, president of Mattel International, the group's goal is to establish itself as a company that consistently and predictably gives a return to shareholders.

Analysts like Mr Jacobson *believe that Mattel's future looks* bright, partly as a result of its 1987 corporate restructuring.

At that time the company jettisoned its non-toy assets, slashed overheads, by cutting personnel and closing about 40 per cent of its manufacturing plants, and focused on core products rather than faddish toys.

"Mattel was more diligent than its competitors in its expense cutting," explains Mr Jacobson. Furthermore, the company "has outstanding core products and is willing to take educated risks".

"One of the smartest things about Mattel is that most of its creativity and innovation is being put into its core products. These bring in about 70 per cent of Mattel's business," reports Mr Larry Carlat, editor of Toy and Hobby magazine.

Mr Williams of Mattel explains that the Corgi acquisition is in line with the US group's concentration of its core businesses. *"Without Corgi we could never* have captured significant market share in die cast cars in Europe," he says. "Our Hot Wheels cars are North American models and children want to play with mum and dad's cars, not US vehicles like Corvettes."

Corgi clearly has models that fit the UK and European market, says Mr Williams. Mattel plans to offer Corgi brands tailored to individual European countries by customising the models with such decorations as ambulance livery.

In the US, Mattel will be able to offer Corgi cars to collectors as speciality items.

"We have the marketing muscle to grow in the UK and the whole of continental Europe," Mr Williams says.

Barbie has also done well in Europe, with 90 to 95 per cent of the market share in the fashion doll segment in Italy, France and Germany. Only in the UK, where Cindy dolls have managed to fight off the pretender to the fashion doll throne, has Mattel been less successful. In Britain Barbie has a more modest 55 per cent of the market.

One of Mattel's problems abroad is that retail margins are squeezed because toys are distributed through wholesalers, rather than direct to toy and department stores.

However, with about 88m children in Europe, compared with 55m in the US, this is a market in which Mattel is eager to expand. Furthermore, disposable income in Europe is catching up with that in the US, says Mr Williams. "There is tremendous scope for European business," he concludes.

Bond bankers divided over receiver decision

THE SYNDICATE of bank lenders to Mr Alan Bond's troubled Bond Corporation was divided in its decision last week to place its brewing assets in receivership, it emerged yesterday.

The Victorian Supreme Court heard that two bid international banks, Société Générale of France and Hongkong and Shanghai Banking Corporation, had voted against seeking a receiver for Bond Brewing Holdings, but went along with the majority decision.

Meanwhile, Mr Jeff Reynolds, the 28-year-old Texan behind the mysterious mooted A$250m (US$197m) rescue bid for Bond Corporation, said he planned to visit Australia early next week for discussions with Mr Bond.

Details, Page 18

Britain's Apricot Computers seeks overseas partner

By Alan Cane in London

APRICOT Computers, Britain's leading independent supplier of high performance workstations, is seeking an overseas partner to share development costs and open new markets.

Mr Roger Foster, chairman, said Apricot was in discussion with a number of potential partners in the US and Far East. He expected to announce a deal within two to three months.

Apricot is looking for a partner which would take an equity stake in the hardware division rather than a simple marketing alliance. The plan is part of a wide-ranging reorganisation which Mr Foster outlined yesterday.

It is designed to position Apricot to take advantage of the profound changes sweeping through the global computer industry.

Apricot, founded 25 years ago and one of the UK's oldest quoted computer companies, has repeatedly suffered from the unpredictable shifts in technology and data processing fashions endemic in the computer industry.

These changes include an increasing emphasis on "open" — industry standard — rather than proprietary systems. This has had a devastating effect on manufacturers' margins. Another is a sustained increase in investment by customers in computer software and services.

In the year to March 1989, Apricot reported pre-tax profits of £8m ($10m) on revenues of £106m, but at the half-way stage of the current financial year, profits were halved to £2.02m after restructuring charges and heavy pressure on hardware margins.

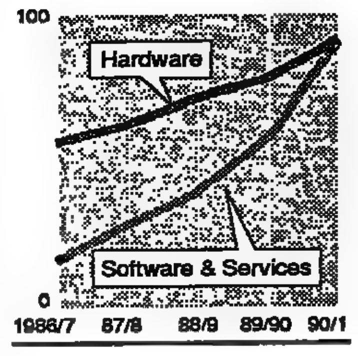
Yesterday's announcement is the conclusion of an extended period of corporate restructuring involving five separate acquisitions including ITL, the UK's oldest minicomputer manufacturer. It is designed to protect Apricot from the unpredictable by broadening its portfolio of products and services, giving it access to niche markets in central and local government, healthcare and financial systems.

It splits the company into two divisions, one concerned with computer hardware, the other concentrating on computing services. Each has current revenues of about £80m.

Apricot remains committed to manufacturing its own hardware in the UK, but it sees a partnership with an overseas company as a way of ensuring continuity of supply for its customers and an improvement in financial returns for its shareholders.

The limited size of the UK market and the problems Apricot had found in selling hardware abroad had convinced the company it needed a partner which would provide new marketing channels and access to technology, especially portable and laptop computers, which Apricot felt unable to develop on its own. The partner, in return, would have access to Apricot's plant at Glenrothes in Scotland, now operating at about half capacity and would be able to market Apricot's FT workstations which provide minicomputer performance at personal computer prices.

Apricot sales



The principal element in yesterday's announcement, however, was the new emphasis Apricot is placing on computing software and services, in particular, systems integration, the combination of hardware and software from a variety of sources into a single system. The market for systems integration has been estimated as worth £550m a year in the UK and growing, on optimistic forecasts, at between 35 to 40 per cent a year.

The new computing services division, ACT, under Mr Michael Hart, Apricot joint managing director, comprises five separate companies created from software and services companies Apricot has acquired in the past year.

The five and their current revenues are are: ACT Computer support, specialising in computer maintenance (£34m), ACT Financial systems (£17m), ACT Logsys specialising in systems integration (£12m), ACT Cable stream, which builds corporate information networks (£10m), and ACT Medisys, specialising in medical systems (£6m).

Mr Nigel Burton of Warburg Securities said, capably managed, the new structure would do much to change Apricot's image from failing hardware manufacturer to successful systems integrator. "If it does what it says it is going to do, it could raise the share price by a factor of two or three over a three-year period," he said.

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De Benedetti 'to go to arbitration'

By John Wyles in Rome

MR CARLO De Benedetti is expected to launch an arbitration procedure later this week in the hope of securing a resolution of his increasingly rancorous battle with Mr Silvio Berlusconi for control of Mondadori, Italy's largest publishing group.

Under Italian law a dispute between shareholders can be resolved by a three-person arbitration panel which must produce a finding within 90 days of its appointment. Mr De Benedetti's conviction is that a panel will rule in his favour in much less time than the Italian magistracy.

He is looking for a definitive decision on the validity of the December 1988 agreement by which the Formenton family agreed to sell to his company, Cir, their 25.7 per cent stake in the Amef holding company by the end of January 1991.

These shares would give Mr De Benedetti and his allies control of the holding company and thus control of Mondadori, which is 50.3 per cent owned by Amef.

At the beginning of December the Formentons created a new majority in Amef by abandoning Mr De Benedetti and joining forces with Mr Berlusconi and two relatives in the Mondadori family.

Each side to the dispute has the right to appoint an arbitrator while the third is appointed by a magistrate. However, it is by no means clear that an arbitration ruling would deny the Formenton-Berlusconi-Mondadori axis all other legal avenues to continue the battle seen by many as having enormous implications for the concentration of media power.

A defeat for Mr De Benedetti would gravely weaken him as a force in Italian business. By contrast, Mondadori's annual L2,500bn ($2bn) turnover would put Mr Berlusconi in control of a formidable television and publishing empire in close alliance with the Socialist Party and with Prime Minister Mr Giulio Andreotti's faction of the Christian Democrat party.

Both political groups, it seems, are prepared to soften legislative anti-trust proposals for the media to accommodate a Berlusconi victory.

The baring of knuckles in the knock-down battle was exemplified by this week's edition of Panorama, Italy's top-selling weekly news magazine, published by Mondadori. Plausibly arguing the political motivation behind Mr Berlusconi's assault on Mondadori, the magazine repeated reports published elsewhere – which the Berlusconi camp confirmed to the Financial Times yesterday – that the TV king had pledged L150bn just to launch the battle with Mr De Benedetti. It is said that he will pay this amount to the Formenton family after matching Mr De Benedetti's offer for their Amef shares, even if these shares eventually go to Cir.

In the meantime, Judge Clemente Papi of the Milan Tribunale who sequestered the Formentons' Amef shares nearly three weeks ago, has been trying to mediate an interim agreement on the composition of a new Mondadori board, the previous Cir-dominated one having been stood down by a magistrate.

So far the discussions remain deadlocked between Mr De Benedetti's insistence on a parity of directors with the Berlusconi camp and the latter's demand for a majority of one. In either case, five independent directors would be appointed by the judge.

Judge Papi is expected to resume his efforts after a meeting today of the Amef shareholding group, in which the two rival forces are at odds about the slate of directors to be presented to a Mondadori shareholders' meeting on January 25.

Bond bankers divided over brewing fate

By Bruce Jacques in Sydney

THE SYNDICATE of bank lenders to Mr Alan Bond's troubled Bond Corporation failed to reach unanimity in its decision last week to place its brewing assets in receivership, it emerged yesterday.

Two big international banks, Société Générale of France and Hongkong and Shanghai Banking Corporation, had voted against seeking a receiver for Bond Brewing Holdings, the Victorian Supreme Court was told. However, they went along with the majority decision.

Meanwhile, Mr Jeff Reynolds, the 28-year-old Texan behind the mysterious mooted A$250m (US$197m) rescue bid for Bond Corp, said he planned to visit Australia early next week for discussions with Mr Bond.

However, more doubts were cast on his proposed bid through the California-based Weatherby Investments. US reports suggested Weatherby has a business address that is merely a mail drop and there is no record of the company's shares being publicly traded.

In Melbourne Mr Graeme Willis, an executive with National Australia Bank (NAB), leader of the 16-bank syndicate, told the hearing that

Does it all add up? Jeff Reynolds ponders a bid for Bond

Société Générale had also opposed the decision to stop Bond Brewing making an A$41m interest payment to US note holders.

The court is hearing an application by Bond to have the receivers removed from its brewing assets.

Mr Willis, under his third day of cross-examination, agreed with Mr Allan Myers, counsel for Bond, that one of the reasons NAB had sought receivers was because it feared similar action by Bond Brewing's US creditors.

Mr Willis also said he feared that if the Bond Brewing assets were sold, it could undermine the bank's fundamental financial arrangements with the company. However, Mr Willis said he could not answer Mr Myers' allegation that the Bond Brewing receivers had now stopped payment of funds and withdrawn all facilities.

In the US, the group of 21 debenture holders representing most of the US$510m in notes rejected a plea by Bond Brewing for more time to make an overdue interest payment. Further legal moves against the Perth group may now follow.

Moreover, the West Australian State Government Insurance Commission (SGIC), which failed in a court attempt there to put the parent Bond Corp into liquidation, is deciding in the next few days whether to appeal.

Mr Wyvern Rees, SGIC chairman, said the wind-up attempt was the commission's only means to protect itself against the actions of Bond Corp's secured creditors. It was designed to prevent Bond granting new security for old money.

He added that Bond's creditors, including the NAB syndicate as well as Bell Resources and FAI Insurances, were seeking repayments totalling about A$2.8bn. Bond Corp said on Monday it had commenced legal proceedings against the SGIC seeking unspecified damages after the West Australian Supreme Court last week labelled the commission's application an abuse of process.

Roche lifts sales 21%, sees higher earnings

By William Dullforce in Geneva

HOFFMANN-LA ROCHE, the Basle-based pharmaceuticals and chemicals group, yesterday posted a 21 per cent climb in 1989 sales to SFr9.8bn ($6.45bn). Without giving a figure, it said the increase in group earnings in 1989 should "lie well above" the sales growth.

In 1988 the group declared a 33 per cent profit increase to SFr641.5m on a 13 per cent sales advance. It raised the shareholders' dividend by 21 per cent in connection with a far-reaching capital restructuring, undertaken last April.

The weakness of the Swiss franc contributed significantly to Roche's 1989 sales growth; the increase amounted to 12 per cent in local currencies. All operating divisions reported higher turnovers, showing better utilisation of manufacturing capacity and indicating that Roche's efforts to improve productivity are paying off.

Pharmaceutical sales, driven by the antibiotic Rocephin, Roche's biggest-selling drug, climbed by 24 per cent to SFr4.38bn. In local currencies the growth amounted to 15 per cent.

In vitamins and fine chemicals the turnover advance was limited to 11 per cent – 3 per cent in local currencies – reaching SFr2.5bn. However, Roche said the division had maintained its market position and saw a noticeable increase in demand in the foodstuffs sector.

The fastest growth was recorded by the diagnostics division, where sales climbed by 32 per cent – 20 per cent in local currencies – to SFr1.4bn. Roche highlighted a "gratifying" increase in sales by the service laboratories in the US.

Givaudan and Roure, the two companies making up the fragrances and flavours division of Roche, achieved 1989 sales of SFr1.1bn, up by 16 per cent – 10 per cent in local currencies. Givaudan's sales were boosted by the inclusion of Riedel Arom, a West German company bought in 1988.

Parkfield raises profits 100% to £13.86m halfway

By John Thornhill in London

PARKFIELD GROUP, the UK group with interests ranging from car chassis manufacturing to the management of the Pathé film library, more than doubled pre-tax profits to £13.86m ($23m) in the six months to October 31, while earnings per share rose by 79 per cent to 17.7p.

The results included a net £3.56m above-the-line contribution from the sale of J&B Labone, a domestic heating company. Stripped of this, pre-tax profits showed a 51 per cent increase from £6.82m to £10.3m and earnings per share improved by 21 per cent.

The market initially pushed up Parkfield's share price, but it slipped to close 9p lower at 509p.

Turnover during the first half grew by 27 per cent to £168.64m. The manufacturing division, which embraces iron castings and motor components such as alloy wheels, reported a strong growth in sales from £53.81m to £81.4m.

The company's entertainments interests showed even stronger sales growth, from £40.64m to £70.53m.

Parkfield's other activities, which include camera equipment distribution and property development, recorded a sharp fall in sales from £37.93m to £16.72m, although this reflected the exclusion of J&B Labone's share of the division's business.

The interim dividend was lifted from 3p to 5p.

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Saab suffers 17% drop in N American car sales

By Robert Taylor in Stockholm

SAAB'S ailing car division suffered a 17 per cent drop in sales in the vital North American market in 1989, according to preliminary figures released by the Swedish company yesterday.

The number of cars sold in the US and Canada last year fell to 32,500 compared with 39,100 in 1988. Saab's overall car sales dropped by 5 per cent during 1989 to 109,500 units from 115,000.

Saab's sales performance was better in Western Europe outside the Nordic region than in North America, with a 5 per cent growth in 1989 to 32,900 vehicles compared with 31,400 in the previous year. In both Sweden and the rest of Scandinavia Saab cars recorded a net decline in sales.

The company said there was a 9 per cent drop in sales of the Saab 900 model to 59,500, while the 50,000 Saab 9000s sold was unchanged from 1988.

Saab's car sales in the US market deteriorated rapidly towards the end of last year; in December sales dropped 46.5 per cent to 1,437 models, compared with 2,685 in the same month of 1988.

Partek plans acquisition

PARTEK, the large Finnish building materials group, has signed a letter of intent to acquire 70 per cent of Ostspenn Holding, a Norwegian holding company which owns Spenn-Gruppen, a big precast concrete element manufacturer, writes Enrique Tessieri in Helsinki.

While Partek will have a majority stake in Ostspenn, the remaining 30 per cent will be split equally by both of the holding company's founders, Mr Helge Tronrud and Mr Tor Aslaksrud.

Spenn-Gruppen's turnover in 1988 was NKr659m ($101m).

Elsevier and VNU take commercial TV holding

By Laura Raun in Amsterdam

ELSEVIER and VNU, two of The Netherlands' top publishers, plan to take a 38 per cent stake in RTL-Veronique, the first and only Dutch commercial TV channel.

The two publishers, which each will take 19 per cent, intend to buy the stake for an undisclosed sum from European Media Investor, a company financed by NMB Postbank.

RTL-Veronique began broadcasting last October and immediately carved out an 8 per cent market share to put it on a par with the third-ranking non-commercial channel. Elsevier – which has an alliance with Pearson, the UK media, entertainment and industrial group – and VNU have sought to enter Dutch commercial TV as it struggled for years to get off the ground.

In 1986 VNU pulled out of a cable TV joint venture with Esselte of Sweden although the Dutch publishing industry generally has been among the strongest opponents of commercial TV.

RTL-Veronique, which broadcasts from Luxembourg into The Netherlands to circumvent the Dutch ban on commercial TV, was launched with Fl 180m ($95.6m) of financial backing. Radio-Television Luxembourg is believed to have put up around 50 per cent, NIB Postbank 38 per cent, Crédit Lyonnais approximately 10 per cent and Philips, the rest. At present no Dutch TV programmes may be solely financed through advertising although a few adverts are allowed, with the revenue shared out among the three non-commercial channels.

Axa Midi disposal

AXA MIDI Assurances said it sold 95 per cent of its interest in Société des Brasseries et Glacières Internationales SA, its African brewing unit, to Castel Frères SA, a French wine distributor, and Banque Worms for $243.6m, Reuter reports. Axa Midi said it realised a gain of $130.5m on the sale.

Bristol-Myers reveals $855m pre-tax charges

By Alan Friedman in New York

BRISTOL-Myers Squibb, the world's second biggest drugs company which was created after a $11.52bn merger last year, has unveiled $855m of pre-tax special charges in the 1989 fourth quarter.

They include $740m for restructuring and, more surprising, a $115m write-off relating to professional fees for investment bank advisers and other costs connected to the merger.

The charges, amounting to $690m after tax, are expected to reduce the combined 1989 net income of the group from an estimated pro-forma $1.5bn to about $800m.

The figures surprised some Wall Street analysts but did not deter the market, which immediately marked up the share price $½ to $56⅞.

The $740m that the group is setting aside is to eliminate overlap and reduce production facilities and employment levels worldwide. It could not quantify the likely redundancies but said they would represent "a small percentage" of the combined workforce of 53,000.

The write-off will include the cost of reorganising the two companies' global pharmaceutical, nutritional, medical device and consumer businesses.

It will also cover what is expected to be a substantial cut in administrative costs at the combined entity.

The $115m charge comprises $67.5m for investment banks and $47.5m for printing costs, related taxes and SEC-related expenditures.

The expenses are hefty, given that the merger supposedly came about as a result of informal and friendly conversations between two old friends – Mr Richard Gelb, chairman of Bristol-Myers, and Mr Richard Furlaud, the retiring chairman of Squibb.

Mr Sam Isaly, of Mehta and Isaly, a New York-based consultant to the drug industry, said he was shocked by the charges.

"This was meant to be a combination of two strong companies that didn't have any problems and now they've found $700m of problems," he said.

Other analysts added the charges would confuse the presentation of profits in future years as they amounted to a "pre-expensing" of measures that would go well beyond the 1989 financial year.

On a pro-forma basis, Bristol-Myers Squibb would have had $1.3bn of net income on 1988 earnings of $8.6bn. Until yesterday's charges, estimates for the company's 1989 results, to be announced later this month, were net profits of $1.5bn on revenue of $9.25bn.

Control Data sees loss after write-off

By Louise Kehoe in San Francisco

CONTROL DATA, the US computer manufacturer and data services group, is to take restructuring charges of about $210m in the fourth quarter and expects to report a loss for the period.

The charges represent the latest in a series of 1989 write-offs, totalling $650m, as Control Data completes a five-year restructuring plan to shed unprofitable business units.

In the latest such moves, the group closed ETA Systems, its super-computer subsidiary, and sold Impiris, its disk-drive manufacturing company, last year.

For the first nine months of 1989 Control Data posted a net loss of $484m, due largely to the closure of ETA Systems and the streamlining of its mainframe computer business.

Company officials said about half of the fourth-quarter charges would be related to the expected sale of VTC, the company's semiconductor subsidiary. The chip maker's sale is being actively discussed and the company expects to sell this year.

The reserves would ensure that future operating losses and expenses associated with the sale would have no further impact on Control Data's profitability, the company said.

The balance of the fourth-quarter charges stem from foreign currency adjustments in connection with the sale and closure of overseas operations.

In addition there is the write-down of certain intangible assets associated with a market research subsidiary and other costs relating to the sale or closure of other businesses.

Mr Lawrence Perlman, Control Data's president and chief executive, said: "With the restructuring charges, Control Data will incur a loss in the fourth quarter. However, we expect higher operating profits in the fourth quarter than those achieved in the third quarter."

He said the group's banks had agreed to waive the effect of charges related to VTC and the foreign currency translation adjustments for purposes of the net-worth test specified in the company's credit agreement.

Bank appoints two Campeau directors

By Bernard Simon in Toronto

NATIONAL BANK of Canada has named two representatives to the board of Campeau, to reflect its increased influence on the ailing Canadian real estate and retailing group.

Campeau said yesterday a National Bank official and a Montreal lawyer had joined the board, raising the number of directors to 12.

National acquired a fully-diluted stake of 22.5 per cent in Campeau last week after seizing a large part of the shares owned by Mr Robert Campeau, the French-Canadian entrepreneur, who defaulted on a loan extended by National to two of his private companies.

Robert Campeau: defaulted on National Bank loan

The Campeau board has been meeting this week to discuss several deadlines for Federated Stores and Allied Stores, its debt-burdened retailing arms. The two groups are due today to pay US$150m to suppliers for December merchandise.

Next Monday Citibank has an option to declare a default on $2.3bn of Federated and Allied debt. It has been widely suggested that at least one of the groups may file for protection under Chapter 11 bankruptcy laws.

A Toronto newspaper reported yesterday that Campeau was considering offering holders of Federated and Allied junk bonds an equity stake instead of cash.

Under last September's restructuring plan, Olympia & York, Campeau's biggest shareholder, agreed to provide an $800m bridging loan on condition that 75 per cent of the junk bonds could be repurchased.

National is understood to have taken a passive role in the restructuring of Allied and Federated, with the lead being taken by O&Y. The bank is not represented on the four-person restructuring committee.

Specialty businesses help boost International Paper

By Alan Friedman

INTERNATIONAL Paper, the world's largest manufacturer of pulp and paper products, has posted a 15 per cent rise, to $864m, in 1989 full-year net earnings. The increase was achieved in spite of a 4 per cent decline in earnings during the fourth quarter.

According to the company, based in New York State, fourth-quarter net income declined to $197m on sales 16 per cent ahead at $2.9bn. This was due to poor weather in December and lower profitability in the uncoated white papers business.

For the whole of 1989 the group's earnings per share amounted to $7.72, 18 per cent above the $6.57 recorded in 1988. Revenues were 19 per cent higher at $11.4bn.

Mr John Georges, chairman and chief executive, said the improvement was achieved in spite of an increase from 37.1 per cent to 38.5 per cent in the company's effective tax rate.

He added that specialty businesses such as Ilford, the recently acquired European manufacturer of photographic paper and films, contributed significantly to group results.

International Paper produces a range of products, including corrugated containers and food packaging papers.

Pacific Telesis to buy back shares

PACIFIC TELESIS, the sixth largest telecommunications holding group in the US, plans to repurchase up to 25m common shares, worth about $1.2bn based on Monday's closing price, Reuter reports.

The company, which recently completed a 10m share buy-back, said the repurchase programme would be funded initially with internal corporate funds and short-term borrowings. Last week the group said it was to cut its workforce, now almost 60,000, by about 11,000 over the next five years

The Power of Ideas: M&A 1989.

Investment banks are selected on the merit of their ideas. This has been particularly evident during these times of great economic change. Innovative, strategic thinking has been rewarded as never before.

It is no coincidence, then, that in 1989 more companies chose CS First Boston to help them complete their M&A transactions than any other investment bank.

CS First Boston has 200 M&A professionals dedicated exclusively to serving its M&A clients. These bankers know both their business and their clients' businesses.

Moreover, CS First Boston has a unique global structure. This proven network of offices is indigenous to and operates in each of the financial centers of Europe, the Pacific and the Americas. As a result, our clients literally have access to a world of M&A opportunities.

All of which leads to one inescapable conclusion. As the world economy continues to change, CS First Boston continues to have the ideas, the people and the resources to help its clients achieve their desired results. The transactions listed on these four pages are the best testimony to that fact.

All Transactions
First in number of *worldwide* transactions.
First in number of *cross-border* transactions.
First in number of *U.S.* transactions.

Transactions over $1 Billion
First in number of *worldwide* transactions.
First in number of *cross-border* transactions.
First in number of *U.S.* transactions.

*Source: Securities Data Company, 12/13/89. Ranking applies in both announced and completed transactions.

CS First Boston Client	Description of Transaction	Approximate Size of Transaction
Building Products		
American Standard Inc.	Divestiture of Steelcraft Division to Masco Industries, Inc.	$ Not Disclosed
FB Briggs, Inc., a new corporation organized by First Boston Investments, Inc. and Management	Leveraged Buyout of JPI Plumbing Products, Inc.	76,000,000
Dallas Corporation	Sale of Company to DCO Acquisition Corp., a subsidiary of Bessemer Securities Corporation (Pending)	195,000,000
Dundee Cement Company, a subsidiary of Holderbank Financiere Glaris Ltd.	Acquisition of Northwestern States Portland Cement Company (Pending)	42,000,000
PPG Industries, Inc.	Sale of 50% Interest in Fiberglas Canada Inc. to Owens-Corning Fiberglas Corporation	200,000,000
Chemicals & Allied Products		
Ecolab Inc.	Sale of Series A Convertible Preferred Stock to Henkel KGaA	$ 110,000,000
Ethyl Corporation	Spinoff of Tredegar Industries	175,000,000
GAF Corporation	Sale of Company to a Management Group led by Samuel J. Heyman	1,574,000,000
Hercules Incorporated	Advice with respect to purchase of remaining interest in The Aqualon Group from Henkel KGaA	210,000,000
Naamloze Vennootschap DSM	Acquisition of Copolymer Rubber & Chemical Corporation from Mark IV Industries, Inc.	250,000,000
QFB Partners, a partnership formed by subsidiaries of Quantum Chemical Corporation and First Boston Investments, Inc.	Sale of Petrolane Europe B.V.'s Interest in Loga Chemicals B.V. to an Investor Group including Management	Not Disclosed
Quantum Chemical Corporation	Recapitalization involving payment of a special dividend	1,150,000,000
Quantum Chemical Corporation	Divestiture of Emery Division to Henkel Corporation	480,000,000
Tyler Corporation	Fairness Opinion with respect to the sale of Reliance Universal, Inc. to Akzo N.V.	265,000,000
Whittaker Corporation	Divestiture of the Ram Chemicals Division to Lilly Industrial Coatings, Inc.	16,500,000
Consumer Products & Services		
Adiainvest S.A.	Sale of Company to Inspectorate International Ltd.	$ Not Disclosed
Arkansas Best Corporation	Divestiture of Riverside Furniture Corporation to an Affiliate of McKane Robbins & Co.	Not Disclosed
CPG International, Inc.	Sale of Company to Charterhouse Group International, Inc.	75,000,000
Ekco Group, Inc.	Repurchase of 8.6% Equity Interest from Sonar Partners, L.P.	Not Disclosed
Electrolux Corporation	Acquisition of the operating assets of The Regina Company, Inc.	65,000,000
First Brands Corporation	Divestiture of European Household Products Operations to The Dow Chemical Company	Not Disclosed
Gibbons, Green, van Amerongen, L.P.	Cash Tender Offer for the Ohio Mattress Company	941,000,000
Grumbacher, Inc.	Sale of Company to Empire Berol Corporation	14,000,000
Kaufman & Broad, Inc.	Restructuring/Spinoff of Kaufman & Broad Home Corp.	300,000,000
Ransomes America Corporation	Acquisition of the Cushman Turf and Industrial Vehicle Business from Outboard Marine Corporation	150,000,000
Revlon Group Incorporated	Sale of Crosman Products Inc. to Hicks, Muse & Company	41,000,000
Wesray Capital Corporation	Sale of Equity Interest in Simmons Bedding to Employee Stock Ownership Plan	Not Disclosed

CS FIRST BOSTON

1989 M&A Results (Continued)

Financial Institutions

CS First Boston Client	Description of Transaction	Approximate Size of Transaction
ADVANTA Corporation	Divestiture of Selected Assets of Colonial Credit Card Trust 1988-A to Household Bank, N.A.	$ Not Disclosed
Bank of Delaware Corporation	Merger for Common Stock with PNC Financial Corporation	230,000,000
Bank of New Zealand	Underwritten recapitalization	360,000,000
H.N. and Francis C. Berger Foundation	Sale of Sacramento Savings and Loan Association to Alleghany Corporation	150,000,000
Bremer Financial Corporation	Recapitalization	132,000,000
CalFed Inc.	Sale of Credit Card Portfolio to Household Bank, N.A.	Not Disclosed
The Charles Schwab Corporation	Acquisition of Rose & Company Investment Brokers Inc. from The Chase Manhattan Corporation	37,000,000
CIS Corporation	Divestiture of Canadian Operations to Manufacturer Finance Programs Ltd. (Pending)	18,000,000
The Citizens and Southern Corporation	Advice with respect to unsolicited offer from NCNB Corporation	2,401,000,000
The Citizens and Southern Corporation and Sovran Financial Corporation	Stock Swap Merger of Equals into Avantor Financial Corporation (Pending)	4,700,000,000
Comerica Incorporated	Acquisition for Stock of Plaza Commerce Bancorp (Pending)	117,000,000
Constellation Bancorp	Merger for Common Stock with New Brunswick Savings Bank	50,000,000
CS First Boston, Inc.	Sale of 30.5% Equity Interest to Institutional Investors	Not Disclosed
Empire of America Federal Savings Bank	Divestiture of Credit Card Portfolio to Citibank (South Dakota), N.A.	Not Disclosed
Federal Savings Bank of Puerto Rico	Merger for Cash with Banco Santander Puerto Rico	100,000,000
First Chicago Corporation	Divestiture of First Chicago Investment Advisors, N.A. to Brinson Partners Inc.	100,000,000
First Financial Management Corporation	Acquisition of Georgia Federal Bank, FSB from Fuqua Industries, Inc.	242,000,000
First Security Corporation	Acquisition of United Savings Bank of Salem, Oregon (Pending)	33,000,000
First Security Corporation	Merger for Cash with Twin Falls Bank & Trust Company (Pending)	Not Disclosed
Horizon Bancorp	Sale of Company to Chemical Bank Corporation	465,000,000
Kleinwort Benson Limited	Sale of Kleinwort Benson Government Securities Inc. to The Fuji Bank, Limited	Not Disclosed
Marine Midland Banks, Inc.	Sale of First Pennsylvania Corporation Preferred Stock and Warrants	145,000,000
MCorp	Divestiture of MVestment, its trust and investment subsidiary, to Ameritrust Corporation	120,000,000
Meritor Savings Bank	Divestiture of Meritor Credit Card Operation to The Chase Manhattan Bank (USA), N.A.	Not Disclosed
Meritor Savings Bank	Divestiture of Meritor Credit Corporation to Ford Motor Credit Company	Not Disclosed
Meritor Savings Bank	Divestiture of Meritor Mortgage Corporation-West to Mortgage Servicing Trust	Not Disclosed
National Westminster Bancorp Inc.	Merger for Cash with Ultra Bancorporation	282,000,000
PLM International, Inc.	Sale of a New Series A Cumulative Convertible Stock	64,000,000
Security Pacific Corporation	Sale of 5% Equity Interest in Consumer and Commercial Services Groups of Security Pacific Financial Services Systems, Inc. to Mitsui Bank Ltd. (Pending)	100,000,000
Society Corp.	Merger for Common Stock with Trustcorp. Inc. (Pending)	503,000,000

Food & Beverage

CS First Boston Client	Description of Transaction	Approximate Size of Transaction
AB Volvo	Sale of Hilleshög AB to Sandoz Limited	$ Not Disclosed
Canada Malting Co. Limited	Acquisition of Great Western Malting Company from Penwest, Ltd.	125,000,000
DJS/Inverness & Company and Castle Harlan, Inc.	Cash Tender Offer for Jerrico, Inc.	650,000,000
Elders IXL Ltd.	Advice with respect to offer from Harlin Holdings Pty. Ltd.	4,200,000,000
Falstaff Brewing Corporation	Sale of Company to S&P Company	79,000,000
General Cinema Corporation	Divestiture of Soft Drink Bottling Division to PepsiCo, Inc.	1,750,000,000
Kraft General Foods	Sale of Sheffield Products to Quest International Flavors USA Inc., a subsidiary of Unilever United States, Inc.	Not Disclosed
McCormick & Company	Sale of McCormick Do Brasil to CPC International	Not Disclosed
The Pillsbury Company	Sale of Company to Grand Metropolitan PLC	5,574,000,000
Polly Peck International PLC	Acquisition of the Fresh Fruit Operations of Del Monte Corporation, a wholly owned subsidiary of RJR Nabisco, Inc.	875,000,000
TW Services, Inc.	Sale of Company to TW Holdings, Inc.	2,700,000,000

Health Care

CS First Boston Client	Description of Transaction	Approximate Size of Transaction
Alco Standard Corporation	Cash Tender Offer/Advice with respect to the sale of its 49% Interest in Alco Health Services Corporation to AHSC Holdings Corporation	$ 525,000,000
Baxter International Inc.	Divestiture of New Dimensions in Medicine to LecTec Corporation	42,000,000
Committee of Dalkon Shield Claimants	Advisors to Claimants in American Home Products Corporation's acquisition of A.H. Robins Company, Inc.	3,300,000,000
Diasonics, Inc.	Sale of Magnetic Resonance Imaging Division to Toshiba American Medical Systems, Inc.	Not Disclosed
Evans Healthcare Limited	Sale of Company to Medirace PLC (Pending)	139,000,000
F. Hoffmann-La Roche & Co. Limited Company	Divestiture of Kontron Instruments to an Investor Group Organized by Baring Capital Investors	Not Disclosed
IMA Holdings Corp., a new Corporation organized by First Boston Investments, Inc. and Harry Gray, Mel Klein & Partners, L.P.	Leveraged Buyout of American Medical International, Inc.	3,250,000,000
Lyphomed, Inc.	Sale of Company to Fujisawa Pharmaceutical Co., Ltd.	956,100,000
Miles Inc., a subsidiary of Bayer USA Inc.	Acquisition of Cooper Technicon, Inc. from The Cooper Companies, Inc.	187,000,000
Omnicare, Inc.	Fairness Opinion with respect to the sale of HPI Health Services, Inc. to Diagnostek Inc.	27,000,000
PPG Industries, Inc.	Sale of PPG Hellige B.V. to Drager Nederland B.V.	Not Disclosed
TravCorps Corporation	Recapitalization of Company by Chemical Venture Partners and Management (Pending)	Not Disclosed

Industrial & Other

CS First Boston Client	Description of Transaction	Approximate Size of Transaction
ABB Asea Brown Boveri Ltd	Cash Tender Offer for Combustion Engineering, Inc. (Pending)	$ 1,600,000,000
Akzo N.V.	Sale of Barmag AG subsidiary to AGIV Aktiengesellschaft Für Industrie amd Verkehrswesen	Not Disclosed
American Standard Inc.	Divestiture of The Fluid Powers Product Group to Mannesmann AG	Not Disclosed
Baker Hughes Incorporated	Divestiture of Mining Equipment Group to OY Tampella AB	Not Disclosed
Barry Wright Corporation	Sale of Company to Applied Power Inc.	125,000,000
Becton, Dickinson and Company	Divestiture of Edmont, Inc. to Pacific Dunlop Ltd.	228,000,000
Birmingham Steel Corporation	Sale of Company to Harbert Corporation (Pending)	372,000,000
Cameron Iron Works, Inc.	Merger for Convertible Preferred with Cooper Industries	775,000,000
Electrowatt Ltd.	Acquisition of remaining 60% Interest in Sandwell Swan Wooster, Inc.	47,000,000
Fairchild Industries, Inc.	Divestiture of Fairchild Industrial Products Company to an Investor Group including Management	Not Disclosed
Gibbons, Green, van Amerongen, L.P.	Sale of 40% Interest in SGC Holding Company, the parent of Sheller-Globe Corporation to United Technologies Corporation	Not Disclosed
Kawasaki Steel Corporation	Purchase of 40% Interest in Armco Steel Company, L.P., a limited partnership with Armco Inc., formed to own and operate Armco's former Eastern Steel Division	350,000,000
Lone Star Technologies, Inc.	Divestiture of The John Zink Company to Koch Industries	Not Disclosed
McBain, Rose Partners	Recapitalization of Flexible Technologies	Not Disclosed
Mitsubishi Estate Co.	Acquisition of 51% Interest in Rockefeller Group, Inc.	846,000,000
NEOAX Inc.	Sale of Superior Air Parts, Inc. subsidiary to HMA Investments, Inc.	30,000,000
Ransburg Corporation	Sale of Company to Illinois Tool Works Inc.	177,000,000
Ransburg Corporation	Divestiture of Maschinenfabrik GmbH to Matuschka Group	Not Disclosed
Square D Company	Divestiture of Yates Industries to Arbed S.A. and Furukawa Electric Company (Pending)	Not Disclosed
WCI Holdings Corporation	Cash Tender Offer/Merger for Preferred Stock of Wickes Companies, Inc.	2,558,000,000

Insurance

CS First Boston Client	Description of Transaction	Approximate Size of Transaction
Aetna Life and Casualty Company	Divestiture of Aetna Life and Casualty Ltd. to Prudential Corporation PLC	$ 94,000,000
American General Corporation	Divestiture of Maryland Casualty Company to Zurich Insurance Company	740,000,000
American General Corporation	Divestiture of American General Group Insurance Companies to Associated Insurance Companies, Inc. (Pending)	195,000,000
Continental Corporation	Sale of Lombard Insurance Company (Australia) to Sun Alliance Insurance Group	Not Disclosed
Georgia US Corp., a subsidiary of Nationale-Nederlanden NV	Acquisition of Southland Life Insurance Company from The Franklin Life Insurance Company, a subsidiary of American Brands, Inc.	443,000,000
Kaufman & Broad, Inc.	Acquisition of Annuity Operations of Commercial Life Insurance Company from The Continental Corporation	65,000,000
Lincoln National Corporation	Divestiture of National Reinsurance Corporation to a group led by The Robert M. Bass Group Inc. (Pending)	*395,000,000
New England Life Insurance Company and Guardian Royal Exchange Assurance plc	Divestiture of 51% Equity Interest in Connecticut National Life Insurance Company to Empire Life Insurance Company (Pending)	Not Disclosed
Republic American Corporation	Merger for Cash with Penn Central Corporation	290,000,000
The Tokio Marine & Fire Insurance Co., Ltd.	Acquisition of 40% Equity Interest in First Insurance Company of Hawaii, Ltd. from The Continental Corporation	28,000,000
Travelers Corporation	Divestiture of Keystone Provident Life Insurance Company to Liberty Mutual Insurance Company	Not Disclosed
UNUM Corporation	Acquisition of Commercial Life Insurance Company from The Continental Corporation	179,000,000

*Plus equity interest

Media & Entertainment

CS First Boston Client	Description of Transaction	Approximate Size of Transaction
Adams Publishing Acquisition Corporation	Acquisition of Trailer Life Group from American Bakeries Company	$ 138,000,000
Affiliated Publications, Inc.	Merger for Common Stock with McCaw Cellular Communications	2,531,000,000
Affiliated Publications, Inc.	Spinoff of API Print Corporation	887,000,000
BMA Corporation	Divestiture of KDVR-TV (Denver, CO) to Chase Communications Inc. (Pending)	Not Disclosed
BMA Corporation	Divestiture of KTXL-TV (Sacramento, CA) to Renaissance Communications Corporation	62,000,000
Chris-Craft Industries, Inc.	Advice with respect to the Tender Offer for its Equity Interest in Warner Communications, Inc.	14,109,000,000
Comcast Cable Investors, L.P.	Acquisition by Comcast Corporation	113,000,000
Continental Cablevision, Inc.	Assisted in the recapitalization of the Company	493,000,000
GP Group Acquisition Corporation, a new Corporation formed by Boston Ventures Limited Partnership III and Macfadden Holdings, Inc.	Acquisition of GP Group, Inc. (owner of The National Enquirer)	412,000,000
Hallmark Cards, Incorporated	Valuation of Univision Holdings, Inc.	Not Disclosed
Harcourt Brace Jovanovich, Inc.	Divestiture of HBJ Theme Parks and Land Holdings (including Sea World) to Anheuser-Busch Companies, Inc.	1,100,000,000
Harper & Collins U.K. Ltd. and Harper & Collins U.S., Inc., Joint Ventures formed by News America Holdings Incorporated and certain entities related to CS First Boston, Inc.	Acquisition of Harper & Row, Publishers, Inc. and William Collins plc, and certain other U.K. and Australian publishing companies from The News Corporation Limited	1,300,000,000
Heritage Communications, Inc.	Divestiture of Da-Lite Screen Company to Da-Lite Holding Company	45,000,000
King Videocable Company	Acquisition of Suburban Cablevision Company, L.P. from Hauser Communications, Inc.	131,000,000
The New York Times Company	Divestiture of NYT Cable TV to Garden State Cablevision, L.P., a group formed by J. Bruce Llewellyn	475,000,000
Noble Broadcast Group, Inc.	Divestiture of Two Radio Stations (Pending)	Not Disclosed
Outlet Communications, Inc.	Divestiture of Two Radio and Two Television Stations to Chase Communications, Inc. (Pending)	120,000,000
Outlet Communications, Inc.	Merger for Cash and Securities with Atlin Communications, Inc.	Not Disclosed
Pegasus Broadcasting, Inc.	Divestiture of WTVM-TV (Columbus, GA) to American Family Broadcasting	45,000,000
The E.W. Scripps Company	Divestiture of The Sun-Tattler to DTH Media, Inc.	Not Disclosed
The E.W. Scripps Company	Acquisition of Sundance Publishers	Not Disclosed
WestMarc Communications, Inc.	Merger for Cash and Securities with Tele-Communications, Inc. (Pending)	240,000,000

Natural Resources

CS First Boston Client	Description of Transaction	Approximate Size of Transaction
Arkla, Inc.	Acquisition of Louisiana Intrastate Gas Corporation from a group of Private Investors	$ 180,000,000
Baker Hughes Incorporated	Acquisition of Eastman Christensen from Norton Company	*550,000,000
Consolidated Gold Fields PLC	Advice with respect to offers from Minorco S.A. and Hanson PLC	5,400,000,000
Consolidated Natural Gas Company	Acquisition of Virginia Natural Gas from Dominion Resources, Inc.	160,000,000
Consolidated Natural Gas Company	Joint Acquisition of Mark Producing, Inc. with Japex (U.S.) Corp. from Veba Oel AG	245,000,000
Consolidated Operating Partners, L.P.	Sale of substantially all of the assets to Various Purchasers	Not Disclosed
Costain Holdings Inc.	Acquisition of Pyro Energy Corporation	193,000,000
CSX Corporation	Divestiture of Texas Gas Transmission Corporation to Transco Energy Company	571,000,000
Enerfin Partners I Limited Partnership	Sale of Partnership's assets to Conoco, Inc.	135,000,000
Gruss & Company, Inc.	Sale of West Texas oil and gas properties to Various Purchasers	46,300,000
Homestake Mining Company	Divestiture of Felmont Oil and Gas Company to Torch Energy Advisors, Inc.	100,000,000
Imperial Oil Ltd.	Cash Tender Offer for Texaco Canada Inc.	4,150,000,000
The Louisiana Land & Exploration Company	Divestiture of certain oil and gas properties to Various Purchasers	Not Disclosed
Maxus Energy Corporation	Divestiture of Maxus Energy Canada Ltd. to Kerr-McGee Corporation	142,000,000
QFB Partners, a partnership formed by subsidiaries of Quantum Chemical Corporation and First Boston Investments, Inc.	Leveraged Buyout of Petrolane Incorporated, Petrolane Partners, L.P., Petrolane Europe, B.V., and Petrolane Tankco, Inc.	1,200,000,000
QFB Partners, a partnership formed by subsidiaries of Quantum Chemical Corporation and First Boston Investments, Inc.	Sale of Petrolane Europe B.V. to Primagaz International B.V., a subsidiary of Compagnie Des Gaz De Petrole Primagaz	27,000,000
Rock Island Refining Company	Merger for Cash with Marathon Petroleum Company	Not Disclosed
Sage Acquisition Corporation	Acquisition of remaining 31.5% Minority Interest in Sage Energy Company	20,000,000
Sandefer Inc.	Sale of oil and gas properties to NERCO Inc. (Pending)	Not Disclosed
The Southland Corporation	Sale of remaining 50% Interest in CITGO Petroleum Corporation to Petroleos de Venezuela, S.A.	675,000,000
Tenneco Inc.	Sale of Tenneco Oil Company and certain related businesses to Various Purchasers	7,300,000,000
Texas Eastern Corporation	Sale of Company to Panhandle Eastern Corporation	3,223,000,000
Texas Eastern Corporation	Divestiture of North Sea oil and gas assets to Enterprise Oil PLC	1,400,000,000
Texas Eastern Corporation	Divestiture of 50% Interest in Eastman Christensen to Norton Company	115,000,000
Tri-Gas Inc.	Acquisition of South Texas industrial gas assets from BOC Group plc	40,600,000

*Plus eight million warrants

Paper & Forest Products

CS First Boston Client	Description of Transaction	Approximate Size of Transaction
Normick Perron Inc.	Sale of Company to Noranda Forest Inc.	$ 130,000,000
Pabeltec SA	Divestiture of Company to UCB SA	Not Disclosed
Setsu Holding Corp.	Cash Tender Offer for R.L. Crain Inc.	65,000,000
Smurfit International B.V., a subsidiary of Jefferson Smurfit Group plc	Acquisition by SIBV/MS Holdings, Inc., a corporation formed by Smurfit International B.V. and The Morgan Stanley Leveraged Equity Fund II, L.P., of Jefferson Smurfit Corporation and the 50% Interest in Container Corporation of America owned by The Morgan Stanley Leveraged Equity Fund II, L.P. and certain other Investors	3,250,000,000
Stone Container Corporation	Cash Tender Offer for Consolidated-Bathurst Inc.	2,200,000,000

CS FIRST BOSTON

1989 M&A Results (Continued)

CS First Boston Client	Description of Transaction	Approximate Size of Transaction
Retailing		
Campeau Corporation	Divestiture of AnnTaylor, Inc., a subsidiary of Allied Stores Corporation, to AnnTaylor Holdings, Inc.	$ 430,000,000
Campeau Corporation	Divestiture of The Children's Place Retail Stores, Inc., a subsidiary of Federated Department Stores, Inc. to TCP Acquisition Corporation	26,000,000
The Cherokee Group	Sale of Company to Green Acquisition Company	171,000,000
L.J. Hooker Corp., Inc.	Sale of Merksamer Jewelers to a Management Group	59,000,000
Sound Warehouse, Inc.	Merger for Cash with Shamrock Holdings, Inc.	133,000,000
WCI Holdings Corporation	Divestiture of Wickes Furniture, a division of Wickes Companies, Inc. to WIXF Corp., a Company organized by Kelso & Company, Management and certain Institutional Investors	158,000,000
WCI Holdings Corporation	Divestiture of Orchard Supply Hardware, a division of Wickes Companies, Inc. to OSH Acquisition Corporation, a Company formed by Management and Freeman Spogli & Co.	134,000,000
Technology		
CS, Inc.	Sale of Company to Knoll Capital Management	$ 127,000,000
Cipher Data Products, Inc.	Cash Tender Offer for Irwin Magnetic Systems, Inc.	76,000,000
Control Data Corporation	Divestiture of Imprimis Technology Incorporated to Seagate Technology Inc.	450,000,000
Control Data Corporation	Sale of Equity Interest in Silicon Graphics Inc. to Silicon Graphics Inc.	53,300,000
Control Data Corporation	Sale of Third Party Maintenance Services U.S. to Bell Atlantic Corporation (Pending)	Not Disclosed
Control Data Corporation	Sale of Third Party Maintenance Services Europe to Thomson S.A.	Not Disclosed
Devon Group Inc.	Repurchase of 32% of Common Stock	49,500,000
E. I. du Pont de Nemours and Company	Acquisition of Camex Inc.	Not Disclosed
Eichhof Group	Acquisition of Applied Color Systems, Inc.	Not Disclosed
Electronic Data Systems	Acquisition of Data Processing Systems from Meritor Savings Bank	Not Disclosed
Encore Computer Corporation	Acquisition of Computer Systems Division from Gould Inc.	148,000,000
Esselte AB	Acquisition of remaining 22% Interest in Esselte Business Systems Inc. (Pending)	209,000,000
Fairchild Industries, Inc.	Sale of Company to Banner Industries, Inc.	275,000,000
Fairchild Industries, Inc.	Repurchase of 25% Equity Interest from Quantum Fund, N.V. and Certain Affiliated Investors	75,000,000
Finmeccanica S.p.A.	Acquisition of Equity Interest in Raggruppamento Selenia-Elsag from STET S.p.A.	Not Disclosed
F. Hoffmann-La Roche & Co. Limited Company	Divestiture of Kontron Electronics to BMW Intec Beteiligungs GmbH (BMW AG)	Not Disclosed
Hugin Sweda Group Plc	Sale of Company to Riva Group Plc	37,000,000
Kollmorgen Corporation	Advice with respect to offer from Vernitron Corporation	345,400,000
Lockheed Corporation	Divestiture of CADAM, Inc. to IBM Corporation (Pending)	Not Disclosed
Lockheed Corporation	Divestiture of Lockheed DataPlan, Inc. to The Times Mirror Company	Not Disclosed
M/A-COM, Inc.	Acquisition of Adams-Russell, Inc.	80,000,000
Nokia Oy	Acquisition of a Majority Interest in NKF Holding B.V. (Pending)	100,000,000
Océ-van der Grinten N.V.	Acquisition of Graphics Division from Schlumberger Limited	Not Disclosed
Pitney Bowes Inc.	Acquisition of Pandick Technologies, Inc.	Not Disclosed
Prime Computer, Inc.	Sale of Company to DR Holdings Inc., a subsidiary of J.H. Whitney & Company	1,497,000,000
Recognition Equipment Incorporated	Advice with respect to offer from The Prospect Group, Inc.	112,000,000
Recognition Equipment Incorporated	Advice with respect to restructuring	Not Disclosed
SCS Acquisition Corp.	Merger for Cash with Sierracin Corporation	50,000,000
SGS-Thomson Microelectronics B.V.	Acquisition of INMOS Ltd. and Semiconductor Assets from Thorn EMI North America, Inc.	Not Disclosed
STC PLC	Cash Tender Offer for Computer Consoles, Inc.	168,000,000
Sumitomo Metal Industries, Ltd.	Purchase of Equity Interest in Lam Research Corp.	5,000,000
Wyse Technology Inc.	Sale of Company to Channel International Corporation (Pending)	268,400,000
Transportation		
Airborne Freight Corporation	Sale of 6.9% Non-voting Convertible Preferred Stock, combined with a joint venture operating agreement and a $100 million aircraft financing facility, with Mitsui & Co., Ltd., Mitsui & Co. (U.S.A.) Inc., and Tonami Transportation Co., Ltd. (Pending)	$ 40,000,000
Consolidated Freightways, Inc.	Cash Tender Offer for Emery Air Freight Corporation	230,000,000
Her Majesty the Queen in Right of New Zealand	Privatization of Air New Zealand Limited to a consortium comprised of Brierley Investments Limited, Qantas Airways Limited, American Airlines, Inc. and Japan Air Lines Company, Ltd.	420,000,000
NWA Inc.	Sale of Company to Wings Holdings Inc.	3,650,000,000
Singapore Airlines Ltd.	Acquisition of 5% Equity Interest in Delta Air Lines, Inc.	185,000,000
Singapore Airlines Ltd.	Sale of 3% Equity Interest to Delta Air Lines, Inc. (Pending)	185,000,000
Swiss Air Transport Company Ltd.	Acquisition of 5% Equity Interest in Delta Air Lines, Inc.	193,000,000
Swiss Air Transport Company Ltd.	Sale of 5% Equity Interest to Delta Air Lines, Inc.	90,000,000
Tiger International, Inc.	Sale of Company to Federal Express Corporation	852,000,000
UAL Corporation	Sale of 49.5% Equity Interest in the Covia Partnership to Alitalia, British Airways, KLM Royal Dutch Airlines, Swissair and USAir, Inc.	500,000,000
UAL Corporation	Advice with respect to unsolicited offer from Marvin Davis	6,200,000,000
Union Pacific Corporation	Participation as an Equity Investor in a Company organized by Blackstone Capital Partners, L.P. and other Investors to acquire CNW Corporation	933,000,000
Wardair Inc.	Sale of Company to PWA Corporation	207,000,000
Wesray Capital Corporation	Sale of Avis, Inc. Preferred Stock on behalf of Employee Stock Ownership Plan	Not Disclosed
Utilities		
Long Distance/USA	Sale of Company to U.S. Sprint Communications Company, L.P.	$ Not Disclosed
Madison Gas & Electric Company	Advice with respect to unsolicited offer from WPL Holdings, Inc.	273,000,000
PacifiCorp	Merger for Common Stock with Utah Power & Light Company	1,900,000,000
Pinnacle West Capital Corporation	Advice with respect to unsolicited offer from PacifiCorp (Pending)	1,960,000,000
Public Service Company of New Hampshire	Advice with respect to the bankruptcy reorganization and recapitalization, including the review of several offers received for the Company (Pending)	2,340,000,000
SCEcorp	Merger for Common Stock with San Diego Gas & Electric Company (Pending)	2,560,000,000

First Ideas, Then Results.

CS First Boston

INTERNATIONAL COMPANIES AND FINANCE

Cementing international growth

Karen Fossli on a trend exemplified by the Norwegian group, Aker

What we have done, and what others are seeking to do, is to internationalise and co-ordinate our operations worldwide to deliver our products as cheaply as possible to our customers.

Nowhere is this universal theme more relevant than in the world cement industry. It is undergoing a period of profound change which is seeing the emergence of a few large groups in both production and trade.

While the words could have come from any one of the handful of companies aiming to dominate the industry, they were in fact said by Mr Gerhard Heiberg, charismatic chairman of Aker, the Norwegian industrial company, and the man at the helm of the company's international expansion.

Mr Heiberg has been instrumental in choreographing the strategy of Aker's cement business for more than 17 years. The strategy aims to propel Aker, Norway's largest privately owned company, to the top of the world list of main players.

Late last year Aker made an important move to develop the plan. It spent NKr1.9bn ($289m) to boost its shareholding in Valenciana de Cementos Portland (CVCP), Spain's largest cement producer, to 24.8 per cent from 11.3 per cent.

The investment, one of the largest by a Norwegian company abroad, is an important plank in Aker's European strategy. One of its top priorities is to continue with investments to further strengthen its foothold in Europe and more specifically in the Common Market.

"I would not go so far as to say that the market cannot expect major investments by Aker outside Europe, but it's quite clear that our focus for the time being will be on European expansion," Mr Heiberg said recently.

The swiftness of the Spanish move took Banesto and its chairman Mr Mario Conde completely by surprise. Banesto is CVCP's largest shareholder and controls directly or indirectly up to 40 per cent of the company.

Aker's position in the world cement industry owes much to its merger in 1986 with Norcem. In the 1960s Norcem pioneered international expansion of Norway's cement industry with the help of the country's shipping industry, which was first to ship cement by bulk carriers.

Based on total production capacity, which is about 22m tonnes, and ownership interests in various cement producing companies, Aker is now among the world's top five cement producers. The other four are Holderbank of Switzerland with 40m tonnes; Lafarge of France with 38m tonnes; Blue Circle of the UK with 30m tonnes; and Ciments Français with 28m tonnes.

The cement business represents about one-third of Aker's annual NKr16bn turnover, though this is rapidly approaching 50 per cent.

Aker Cement has ownership interests in 40 companies in 13 countries. In 1988 total sales volume reached 17m tonnes, but if collaborating companies are included total sales volume was more in the range of 25m tonnes. Revenue last year hit NKr3.62bn, more than double the previous year's sales.

"The core of our cement operations is Norway and Sweden and from that background we have started trading in various regions worldwide while gradually buying up production capacity," Mr Heiberg said.

The Aker chief has successfully shored up Aker's position in world cement trade and production through various partnerships, though at the nucleus of operations is a 50/50 joint venture, Scancem International, which was established in 1986 with Euroc, the Swedish cement and building materials group.

"Aker and Euroc discovered that separately we were too small to expand and our need for capital for internationalisation was too large. Since our aims were roughly the same we decided to form Scancem."

In April 1988 Aker and Euroc made a significant move when they jointly acquired Castle Cement, the second-largest UK cement producer, from RTZ of the UK for £230m ($376m). The acquisition of Castle's 3.7m tonnes of annual capacity doubled Scancem's production.

Aker was criticised in Norway for paying too much for Castle, but Mr Heiberg claimed the deal had proved worth the investment. Sales in 1988 rose to 4.1m tonnes from 3.7m in 1987 and for 1989 sales are expected to reach 4.5m tonnes.

"We bought Castle because we felt it was a good company and that it could be made better through the flexibility we have in either producing, importing or exporting.

"We have improved Castle's marketing strategy and production process, reduced costs per tonne produced and we see now that UK production capacity is not big enough to cover demand. For 1990 we estimate there will be imports of between 3m and 5m tonnes and we have plans before too long to announce a major investment concerning our capacity."

In the CVCP deal, Aker is on its own, though Mr Heiberg said there would be an opening at a later stage for Euroc to purchase part of its 24.8 per cent CVCP stake.

The Norwegian company's 12-year relationship with CVCP began with a co-operation in which the two companies supplied cement to Saudi Arabia, West Africa and eventually the US. In 1983 they established NorVal, a cement distribution operation in the eastern US, and in 1986 the NorVal joint venture took Euroc on board.

Mr Heiberg sees scope for CVCP to expand into other areas of Europe's sunbelt. Expansion could be by adding production capacity in other countries or through exports to other countries, two options under consideration by CVCP.

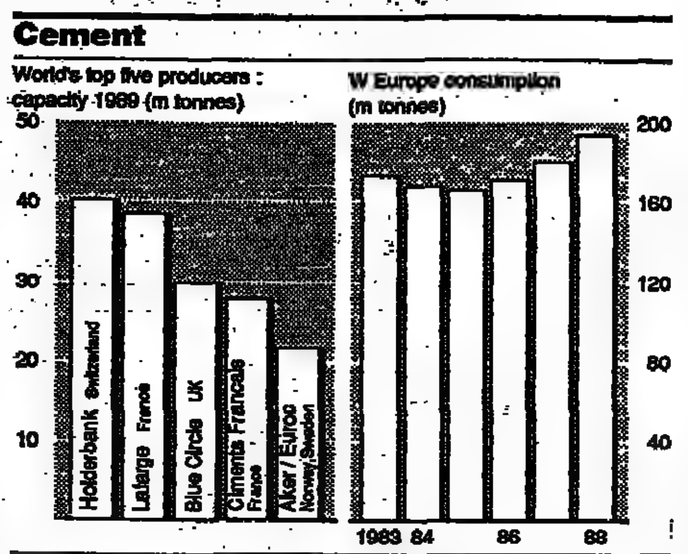
With Aker's European foothold largely secured, the company will next have to take a hard look at US operations where considerations for either expansion or retrenchment will have to be made.

Scancem's foreign activities are concentrated primarily on the US East Coast and in West Africa and in 1988 some 4.3m tonnes of cement and clinker were delivered, a neardoubling over the previousyear.

In the US Scancem owns Allentown Cement in Pennsylvania, Vineland Transit Mix in New Jersey and the concrete division of Atlas Corporation. Scancem's other US businesses include Continental Cement Company which has plant and terminals in Missouri, Florida and the Bahamas. It also manages Caribbean Cement Company in Jamaica. In 1988 sales from US operations reached 3.2m tonnes.

"For about 20 years Aker covered about 30 per cent of the cement demand in the New York area. This began with deliveries from Norway, but supply now comes from several of Scancem's operations. We ship by bulk carriers so transport costs per tonne are lower than those by rail or lorry," said Mr Heiberg.

Looking ahead generally, Mr Heiber forecast that "in this changing environment which will eventually result in fewer groupings of companies, Aker sees itself as being among the very few top players. We have the technology, management capacity and the capital to further improve this position in the years to come."



Conde fight for Valenciana has still to be played to the full

By Peter Bruce in Madrid

FOR TWO YEARS Mr Mario Conde, Spain's self-styled super banker and chairman of Banco Espanol de Credito (Banesto), has ridden roughshod over the old men who ran the bank before he rescued them from a takeover at the end of 1987. Many have been forced off the Banesto board, others are still fighting to stay. On November 27, the old guard struck back.

Mr Jose Serratosa Ridaura, chairman of Valenciana de Cementos Portland, who had resigned from the Banesto board three days earlier, announced that Aker of Norway had bought a further 13.5 per cent of his company, taking its stake to 24.8 per cent. Mr Conde, to put it mildly, was very angry.

Valenciana was to have been one of the key companies in an industrial group Banesto was trying to create out of its myriad industrial holdings. Cement has been one of the most profitable sectors in the Spanish economy for the past three years and Valenciana would, under the plan, have headed up probably the biggest cement group in southern Europe.

By the end of September, Valenciana's share price stood at Pta19,500 ($178.83), nearly three times its average in 1987. The company's net profits of Pta3.8bn were more than four times bigger then they were in 1985.

The company's three plants can produce up to 3.3m tonnes of cement a year and with its five affiliated companies — including Cementos del Mar in Catalonia and Cementos del Atlantico in Seville — probably accounts for about 20 per cent of Spanish output.

In addition, according to a recent report by the independent Madrid analysts, Research Associates, only Pta17bn of Valenciana's Pta27.8bn total assets are in cement, meaning that the company has other valuable holdings, probably in real estate and, possibly, in Banesto itself.

The Serratosa family owns 24 per cent of Valenciana. Banesto owns 27 per cent of the company directly and is thought to control another 13 per cent indirectly, through cross holdings.

Aker, in a purchase obviously carefully planned with the Serratosas, bought its new 13.5 per cent of Valenciana by buying Valenciana treasury stock parked with Cementos del Atlantico and Cementos del Mar. Banesto, which owns 66 per cent of Cementos del Atlantico, has tried to claim that this sale was illegal but few analysts believe its approach stands much chance of success.

Aker seems to have timed its further 13.5 per cent stake in Valenciana in November precisely to beat the clock - revised Spanish company law which came into effect on January 1 makes the sale of stock controlled by another company illegal

Revised Spanish company law which came into effect on January 1 would make the sale of stock controlled by another company illegal but the Aker deal seems to have been timed precisely to beat the clock.

The Cementos del Atlantico board subsequently approved the sale of the Valenciana treasury stock to Aker. Mr Pablo Garnica, a former chairman of Banesto who has fallen foul of Mr Conde, controls 4 per cent of Valenciana and has backed the sale to Aker.

Some Conde supporters in the cement companies are reportedly considering taking legal action against fellow board members in the affiliates that held the Valenciana treasury stock and Banesto has also asked the Stock Exchange Commission to investigate the sale.

Banesto claims the cross holdings between Valenciana and its affiliates means that Aker probably has more than 24.8 per cent and that it has therefore triggered a full takeover.

Whether the commission will listen to this is a moot point. Mr Conde is not popular with the Government. But he has already requested forgiveness of the Pta40bn in capital gains tax that would accrue should he eventually put his huge industrial group together. The absence of Valenciana would reduce the possibility of forgiveness significantly.

Potentially, Banesto's industrial holding could account for some 4 per cent of Spain gross domestic product and Mr Conde has recently become a vociferous defender of bank intervention in industry.

The model is West Germany but the most obvious difference is that West German banks do not have this kind of trouble with "their" manufacturers.

But he is a ferocious infighter and as chairman of a major bank, has powerful resources at his disposal.

The cross holdings between Banesto and its industrial companies are incredibly complex and he is probably one of the few people who knows them backwards. If there is any way back into Valenciana, he will find it, and pay for it. This saga is not yet over.

INTERNATIONAL CAPITAL MARKETS

Issues in demand, helped by generous launch prices

By Andrew Freeman

A BUSY DAY on primary markets disguised the unease pervading the Eurobond market yesterday. New issues were generally well received, but traders noted that launch prices have been generous against secondary market levels to attract demand.

INTERNATIONAL BONDS

The market for asset-backed bonds in Europe took an important step forward with the successful launch of a large deal backed by credit card receivables.

UBS Phillips & Drew priced its **Euro Credit Card Trust** $750m five-year issue at 100.05 per cent with a 9 per cent coupon to give a yield of 87 basis points over Treasuries. This was more generous than some syndicate members had anticipated, and dealers reported little difficulty in finding buyers for the paper. The issue was syndicated along fixed-price reoffered lines.

As soon as the deal began trading freely, prices rose above the launch level and reached 100.17 bid later, giving a spread of around 82 basis points. UBS said little paper had passed through the independent brokers.

Late in the day, UBS Phillips & Drew confirmed that it was making price soundings on a $225m 12-year issue for **UBS Finance**, with an indicated spread over Treasuries of 85-90 basis points. The deal should be finalised this morning.

Reactions from traders were mixed. Some commented that the launch spread would need to be at the wider end of the indicated range if the paper was to find easy demand.

Swiss Bank Corporation braved the fragile Ecu sector with an Ecu150m five-year deal for **Nippon Telegraph and Telephone**.

The bonds carried an attractive 10 per cent coupon and met good demand, with the lead manager confidently taking roughly half the issue on the back of strong demand in Switzerland.

The bonds were trading comfortably inside fees at less 1¾ bid, to yield around 9.97 per cent.

Some dealers commented that pre-selling by the lead manager had made it difficult to place their allocations, but they praised the pricing of the deal and said it had been well handled in a difficult market. Proceeds were said to have been swapped into fixed-rate yen by Mitsubishi Trust International.

Bankers Trust brought a C$100m retail-targeted three-year issue for **Finnish Export Credit** to a quiet reception. The bonds were trading on fees at less 1¾ bid. Proceeds were swapped into floating-rate dollars.

In Switzerland, the first new issues of 1990 emerged to a sound reception.

Four Japanese equity-related deals were launched, and traders noted their firm performance against the background of a weaker Japanese stock market. The deals were all trading close to their par issue prices.

The wider market saw a slight pick-up in volumes as recent issues were unchanged or a few ticks better.

● Daiwa Europe became the first of the Japanese securities houses in London to make markets in Eurosterling bond issues. It is trading some 80 issues as part of a policy to expand its involvement in sterling markets.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Daiwa House Industry‡	600	(3¼)	100	1995	2¼/1½	Nomura Int.
Euro Credit Card Tst 1990-1◆	750	9	100.05	1995	30/20bp	UBS Phillips & Drew
CANADIAN DOLLARS						
Finnish Export Credit(d)◆	100	11⅜	101.65	1993	1⅜/⅞	Bankers Trust Int.
ECUs						
Nippon Telegraph & Tel.(d)◆	*150*	*10*	*101⅞*	*1995*	*1⅞/1¼*	*Swiss Bank Corp.*
Abbey National Treasury(d)◆	50	12	101.95	1991	1/⅝	Deutsche Bank Cap. Mkts
SWISS FRANCS						
Kinugawa Rubber Ind.★★‡	70	1	100	1996	1⅝	Credit Suisse
Kanagawa Electric Co.(a)★★§	70	Zero	100	1995	1⅝	B. della Svizzera Ital.
Eina Co.(b)★★§	45	Zero	100	1994	1½	Yamaichi Bank (Switz)
Mori Steel Spring Co.(c)★★§	35	Zero	100	1994	1½	Citicorp Inv.Bank(Switz)

‡With equity warrants. §Convertible. ◆Final terms. a) Put option 31/3/92 at 107¼ to yield 3.238%. b) Put option 31/12/91 at 106⅛ to yield 3.253%. c) Put option 31/3/92 at 107¼ to yield 3.262%. d) Non-callable.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on January 9

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8½ 96	750	99½	99¾	0	−0⅛	8.69
Alberta 9⅛ 95	600	103	103⅜	0	−0¼	8.63
Austria 9⅛ 93	140	102⅛	103⅛	0	−0¼	8.53
B.F.C.E. 8⅜ 94	175	99⅛	99⅝	0	−0⅛	8.52
B.F.C.E. 9¼ 95	150	102⅝	103	0	−0¼	8.62
Brit. Tel. Fin. 9⅜ 98	250	103⅛	103⅝	−0⅛	−0⅜	8.80
Canada 9 96	1000	102⅝	103⅛	0	−0⅛	8.37
C.C.C.E 9¼ 95	300	102⅜	102⅞	0	−0¼	8.58
C.N.C.A 9⅛ 93	150	†101½	102	0	−0¼	8.78
Credit National 8¼ 93	200	†99¼	99⅝	0	−0¼	8.45
Credit National 7⅞ 92	100	97¼	97¾	0	−0¼	8.59
Credit National 9½ 92	160	†102¼	102⅝	0	−0¼	8.51
Dai-Ichi Kan 9⅛ 92	150	102	102½	0	−0⅛	8.62
Denmark 8¼ 94	150	†98⅜	98⅝	0	−0¼	8.67
E.E.C. 7 91	100	97¼	97⅝	0	0	8.47
E.E.C. 10 93	140	†103⅝	104	0	−0¼	8.59
E.I.B. 8½ 99	150	98½	99	0	−0½	8.69
Eurofima 10⅛ 93	100	†104¼	104⅝	—	−0½	8.48
Elec.De France 9 98	200	101½	102⅛	−0⅛	−0⅛	8.68
Elec. De France 9½ 99	200	†104¼	104¾	−0⅛	−0¼	8.80
Finland 9 96	250	101⅜	101¾	−0⅛	−0⅛	8.64
Finn.Exp.Cd. 8½ 92	200	99⅝	100⅛	0	−0⅛	8.53
Finn. Exp. Cd. 9⅛ 95	200	102¼	103¼	0	−0¼	8.68
Ford Motor Credit 8 91	250	†98¾	99⅛	0	−0⅛	8.86
Gen.Elec.Cap.Corp. 9 93	*300*	*†101½*	*102*	*0*	*−0¼*	*8.44*
Gen.Elec.Cap.Crp.10 1/291	300	101⅝	102⅛	−0⅛	−0¼	8.71
G.M.A.C. 8¾ 96	500	†98¼	99¼	0	−0¼	9.00
G.M.A.C. 9 96	300	99¾	100¼	−0⅛	−0⅜	8.98
Gen.Mtrs.Corp. 9⅛ 92	200	101	101⅛	0	−0¼	8.51
IBM Credit Corp. 8⅝ 92	400	100⅛	100½	0	−0⅛	8.50
IBM Credit Corp. 8⅞ 91	250	100⅛	100⅝	0	−0⅛	8.60
IBM Credit Corp. 9 92	250	101	101½	0	−0⅛	8.39
IBM Credit Corp. 9½ 92	250	101⅜	101⅞	−0⅛	−0¼	8.60
Italy 8½ 94	1500	99⅜	99⅞	0	−0⅛	8.55
Italy 9½ 95	1000	103⅝	104⅛	0	−0⅛	8.62
Italy 9⅝ 99	1000	105	105⅛	0	−0⅛	8.78
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... On day −0⅛ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6⅛ 91	80	99⅛	99½	−0⅛	−0⅜	6.70
Canada 5⅝ 93	80	97⅛	97⅜	−0⅛	−1⅛	6.50
Eurofima 5 1995	20	93⅛	93⅝	−0⅛	−1⅛	6.55
E.I.B. 4⅞ 93	30	95⅛	95½	−0⅛	−0⅞	6.54
Ireland 5⅛ 93	30	94⅛	94⅞	−0⅛	−1⅛	6.99
Norway 5⅛ 95	50	94⅛	94⅝	−0⅛	−1⅛	6.39
Sweden 4⅝ 93	50	94⅛	94⅝	−0⅛	−0⅞	6.50
World Bank 5⅛ 98	10	—	—	—	—	—
World Bank 7 94	20	101⅛	102	−0⅛	−1⅛	6.51

Average price change... On day −0⅛ on week −1⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. 10¼ 94 C$	150	96⅛	96⅝	0	−0¼	11.22
Abbey Nat. 11⅛ 93 £	100	95½	96	−0¼	−1⅛	13.38
Aegon 7⅛ 92 FL	100	99¼	99⅝	0	−1⅛	7.94
Alg. Bk. Ned. 5¾ 93 FL	200	93	93½	0	+0¼	8.23
Austria 7½ 94 ECU	100	92⅛	92⅝	0	−1¼	9.82
Barclays Aus.13½ 91 A$	100	98⅛	98⅝	0	−1¼	14.58
Belgium 8⅛ 94 Ecu	150	93⅛	93⅝	−0⅛	−2⅛	10.15
Bell Canada 10⅞ 04 C$	200	100⅝	101⅛	−0¼	−1⅛	10.74
BP Capital 9¼ 93 £	100	91⅛	91⅝	−0⅛	−0⅞	13.02
British Airways 10 98 £	100	88	88½	−0⅛	−1½	12.35
Brit. Telecom 9½ 93 £	150	91¼	91⅝	−0⅛	−1	12.90
Comm.Bk.Aust. 12⅝ 93A$	*100*	*†94¼*	*94⅝*	*+0¼*	*+0¼*	*14.78*
Comm.Bk.Aus.13¼ 94 NZ$	60	103⅛	104¼	0	+0⅛	12.43
Credit Foncier 9 96 Ecu	100	96	96½	−0⅛	−2⅛	9.78
CrLocalFrance 9¼ 92Ecu	100	98	98½	−0⅛	−1⅛	10.05
Deut.Bk.Aus. 13⅛ 93 A$	125	98⅞	99⅜	+0⅛	+0⅛	13.65
Deutsche Bk.Fin. 15 94 A$	100	103½	104¼	0	−0¼	13.72
Elec.De France 9⅛ 99C$	150	94¼	94⅝	−0⅛	−1⅛	10.67
E.I.B. 7 96 LFr	100	†94½	95½	−0⅛	+0⅛	8.07
E.I.B. 7⅛ 99 FL	150	92⅛	92⅞	0	−1⅛	8.25
E.I.B. 9 99 Ecu	150	96⅛	96⅞	+0⅛	−2⅛	9.55
Eurofima 7⅛ 94 Ecu	100	92½	93	−0⅛	−2	9.88
Export Dv.Crp.8⅛ 92Ecu	100	96⅛	97⅛	−0⅛	−1⅛	10.30
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price change... On day +0.00 on week +0.01

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mitsui Nipp Bk.2⅞ 03 US	4/88	604.	154⅝	155⅝	−0⅛	−0.22
Omnicom Inc. 6 1/2% 04 US	10/89	28.	105⅛	106⅛	+0⅛	15.67
Omron Tateisi 2⅝ 02 US	4/87	1310.	290	291	−0½	1.66
Rank Hovis 4¾ 03 £	11/88	3.5	122	123	0	−0.06
Redland 7¼ 02 £	1/87	5.4	110	111	+0½	0.79
Saatchi&Stchi.6¾ 03 £	10/89	4.41	87¼	88¼	−0¼	43.61
Silicon Graphics 8 04 US	6/89	23.18	125¼	126¼	−0¼	5.46
Sumitomo Bank 3¼ 04 US	2/89	3697.	86	87	−0⅞	6.23
Texas Inst. 2⅞ 02 US	9/87	82.87	77⅞	78⅞	+0¼	81.09
Utd.N'papers 8 04 £	10/89	8.77	124¼	125¼	+2	137.62
W.R. Grace 6¾ 02 US	9/87	42.12	94⅞	95⅞	+0¼	22.03

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Nomura to cut brokers' rates in face of criticism

NOMURA Securities, Japan's largest securities house, is to cut underwriting commission rates following criticism that they are too high and that brokers make too much money from underwriting, Reuter reports.

Nomura will charge 3.1 per cent for new share issues worth Y50bn or less, 3 per cent for Y50bn to Y100bn, and 2.9 per cent for more than Y100bn, a company official said. The current rate is 3.5 per cent for all issues.

For the same amounts, the rates on convertible bonds and warrant bonds will be 2.3 per cent, 2.2 per cent and 2.1 per cent, respectively, compared to 2.5 per cent at present.

The official said no formal procedures were needed to cut underwriting commissions. "It is likely that other brokers will follow Nomura's example," he added.

One analyst said: "The consensus is that once there is an agreement in the industry, it can go through very quickly."

Nomura said it had not decided whether to cut rates on brokering commissions. Such a cut would have to be formally approved by the Finance Ministry.

● The Bank of Japan has decided to allow banks to lower the minimum deposit for money market certificates (MMCs) to Y1m from the current Y3m, effective on April 2.

The policy-setting board of the central bank has also decided to raise the ceiling, by 0.43 percentage points each, of interest rates on MMCs ranging from three months to three years. The one-year MMC currently carries an interest rate of 4.47 per cent.

Japanese house to buy 10% of Taiwan broker

NOMURA Securities, the Japanese stockbroker, has paid Y800m for a 10 per cent shareholding in Taiwan Securities, a broker of that country, Reuter reports.

Other Japanese securities giants are eyeing capital participation in Taiwanese ventures, attracted by the country's prospects as a financial centre and the Taiwanese Government's moves to open its financial market to foreigners.

A Daiwa official said the company planned to buy five per cent of Foremost Securities, and had begun negotiations with Taiwanese authorities for permission.

Japan and Taiwan have no diplomatic relations, producing some hurdles for Japanese brokerage houses to jump. These include the need to consult the Japanese Ministry of Finance before concluding any agreements.

The Taiwanese Government has urged Japanese brokerage houses to apply for official approval in Taiwan.

Sales activities by Japanese brokers have been prohibited in Taiwan, leading to several unlicensed Japanese brokers operating behind the scenes, according to an official at Daiwa Securities. The Taiwanese Government is eager to clean up these unlicensed brokers, the official said.

Wary of straining relations with China, Japan's Finance Ministry has discouraged its banks and securities companies from opening branches in Taiwan.

To get around this, Nomura is acquiring its stake in Taiwan Securities through its Hong Kong arm.

"We have no control over the overseas subsidiaries of Japanese securities houses," said the ministry. "No formal request has been made to us for direct investment in Taiwan. If one were, we would consider it. Other ministries would also have to be consulted, including the foreign ministry."

The result of the unofficial ban is that only one Japanese bank, Dai-Ichi Kangyo Bank, has an office in Taipei, and one securities company, Sanyo Securities, has a joint venture through its Hong Kong arm.

The Japanese firms are eager to take advantage of the second richest consumer market in Asia after their home market.

"If the Ministry of Finance does not allow the Japanese firms into the Taiwan market, brokerages from the US and Europe will dominate it," one stockbroker said.

"After Hong Kong reverts to China in 1997, Taiwan will take over its function as a financial market. The ministry is too concerned about the reaction of Beijing," the official continued.

Brokers in Taipei said that Merrill Lynch and Shearson Lehman could get permission by the end of this month to set up retail brokerages there. This would allow Taiwan citizens to buy foreign securities directly for the first time.

No Japanese firms have applied for retail broking licences there because of the Finance Ministry's position, they said.

INTERNATIONAL CAPITAL MARKETS

Gilts steep tumble in late afternoon puzzles analysts

By Martin Dickson in London and Anatole Kaletsky in New York

PRICES fell sharply in the UK Government bond market late yesterday afternoon, giving a dramatic end to a day which had largely seen a dull, minor downward movement.

GOVERNMENT BONDS

Analysts were divided over the reasons for the sudden lurch, which at one point saw bonds lose 15 ticks in as many minutes.

The benchmark 11¾ Treasury Stock due 2003/07 was quoted at the close at 109¼ to yield 10.45.

Dealers reported that much of the late activity in the cash market was futures-led, and the long gilt March contract closed at 90.17, compared to an opening level of 91.01, a high of 91.07 and a low of 90.15.

Some analysts said they were perplexed by the late downturn, given sterling's strong performance and indicators on UK disposable income and the personal savings ratio supporting signs of an economic slowdown.

Others argued that the jitters were a continued reaction to Monday's news that the Government's new year auction of gilts was being cancelled, thus removing an important prop to the long end of the market while there were substantial inflationary fears.

However, one school of thought argued that the reaction was being overdone, since the volumes of stock involved in any future auctions would not, in any event, have been of overwhelming importance.

Another possible contributory factor to yesterday's dip was a rumour of a £100m sterling five-year bond issue from the State Bank of India. Analysts said this alone should not have caused the market much concern, but it may have crystallised anxieties of a flood of new issues, including those expected from the newly privatised water companies.

■ In West Germany, the government bond market enjoyed a slightly better day, with bonds opening up to ¼ point stronger but then drifting around the fixing level in the afternoon.

The 7¼ per cent Federal government bond due 2000 was quoted in late trading at 98.40 to 98.50. The morning fixing was 98.45, up 33 pfennigs on Monday's fixing.

Activity during the day switched to the cash market from the futures market, where the March future was quoted in late trading at 89.23, compared to an opening of 89.19, a low of 89.17 and a high of 89.45.

■ It was another sluggish morning in the US bond market as the strength of the dollar offset recent bearish sentiment among investors, leaving prices little changed by lunchtime.

At 1pm the Treasury's benchmark 30-year bond was trading $\frac{1}{32}$ lower at 100$\frac{15}{32}$, a price at which it yielded 8.08 per cent. All other actively traded Treasury bonds across the whole maturity spectrum were also within $\frac{1}{16}$ point of their overnight levels and the Federal funds rate remained motionless throughout the morning at 8¼ per cent.

The Federal Reserve did $2bn of customer repurchase agreements – a method of adding reserves to the money market – which signalled strongly that the central bank was satisfied with the current level of the funds rate and had no further easing in mind for the time being.

Apart from the stability of money rates and the strength of the dollar, oil prices were the only other factor bearing on the market. Some analysts expressed optimism that world oil prices had peaked and that the unusually warm weather in much of the US would soon lead to a reversal in energy price inflation.

However, contrary to expectations, oil futures prices snapped up again yesterday morning in what traders described as a technically-driven short-covering rally.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	103-09	-6/32	12.02	11.92	11.97
		9.750	1/98	94-05	-16/32	10.86	10.65	10.89
		9.000	10/08	92-00	-12/32	9.96	9.71	9.85
US TREASURY *		7.875	11/99	99-05	+5/32	8.00	7.93	7.82
		8.125	8/19	100-15	+6/32	8.08	7.98	7.86
JAPAN	No 111	4.800	6/99	92.0145	-1.026	6.14	5.72	5.38
	No 2	5.700	3/07	97.4606	-1.253	6.00	5.66	5.44
GERMANY		7.000	5/99	95.7800	+0.360	7.62	7.54	7.26
FRANCE	BTAN	8.000	10/94	91.8822	+0.072	10.22	10.21	9.53
	OAT	8.125	5/99	91.2500	+0.060	9.57	9.50	9.02
CANADA *		9.250	12/99	96.4000	-0.250	9.82	9.56	9.63
NETHERLANDS		7.250	7/99	94.1800	+0.018	8.15	8.07	7.75
AUSTRALIA		12.600	7/99	95.1221	+0.415	12.90	12.92	13.15

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Stormy outlook for US options exchanges

Deborah Hargreaves on the electronic uncertainties facing the derivatives markets

The Securities and Exchange Commission is preparing to inject more competition this year into the US equity options market – amid howls of protest from exchanges.

The five US options exchanges say there should be no market competition until the markets have an electronic link between their trading floors, but they are still disputing what type of system should provide this link.

The SEC's plan to abolish a lottery system that allocates equity options to just one exchange has caused an outcry among the exchanges. January 22 should herald the introduction of multiple listings on 10 stock options, and its approach has provoked debate and disagreement in the industry.

Exchanges are hoping the SEC will postpone a decision in the next 10 days. In the meantime, the exchanges are bombarding the agency with a flood of comment on the new rule and electronic linkage in the industry.

"We believe the SEC has the power to mandate a linkage between exchanges and we are looking to them to use that power to sort the issue out," says Mr Nick Giordano, president of the Philadelphia Stock Exchange.

The issue of multiple listings has been a bone of contention at the SEC for almost as long as the options market has been in existence. Exchanges pushed for a lottery system to enable a young market to become established. However, with over 60m equity options contracts traded at the Chicago Board Options Exchange last year, this argument does not wash anymore.

Exchanges argue against making the market more competitive until they can integrate their electronic systems to allow brokers to route their orders to the exchange offering the best price. Without a joint system, they argue, the rule risks fragmenting the options market.

The SEC's rule will enable exchanges to list up to 10 stock options already traded on another exchange this year, throwing the whole market open to multiple listings by 1991. The agency believes its move will cut costs to investors.

The exchanges are looking to the SEC to grasp the initiative on electronic linkage since they are split on the most up-to-date way to do it.

A report commissioned by the New York, Philadelphia and Pacific exchanges advocates the adoption of a system

Chuck Henry: warns against using outdated technology

similar to the Intermarket Trading System operating in the US equities market. This would take about a year to set up in the options market.

However, the CBOE and the American Stock Exchange disagree in their report, saying the proposed system "will not serve investors' interests, will generate a number of serious problems and will create some undesirable results."

Mr Chuck Henry, president of the CBOE, cautions against simply going for a system that can be introduced quickly with what he believes to be outdated technology. "If we need a market integration facility to service us beyond the year 2000 we should make sure its the right one."

The split between the exchanges is a philosophical one. The Philadelphia Stock Exchange group is eager to get some sort of system running and is reluctant to go ahead with multiple listings until this is in place. However, the CBOE and Amex are prepared to wait up to five years for a more technologically advanced link.

The SEC declines to discuss its own machinations on the multiple listings issue and is coy about any possible delay in implementing it. But Mr Richard Breeden, the agency's new head, is understood to be receptive to the exchange lobby.

If the rule change does go ahead as planned, there is likely to be a period of intense competition for options business after which one exchange will emerge dominant.

Mr Giordano says he is canvassing his member firms to find out which stock options they would be interested in adding to Philadelphia's slate, but most of them see the change as an "aggravation." They believe there are already enough illiquid stock options listed, he says, and this will just complicate the market.

While electronic linkage is still being discussed, individual exchanges are rushing to update their own technology in a bid to cope in a more competitive arena. Although exchanges decline to discuss whether they will be attempting to poach business in the new environment, some will display competing bids and offers for options listed on other exchanges.

The CBOE is working on the introduction of an electronic book for handling limit orders. The system covers 14 equity options and will be extended floor-wide before the end of the year. In May the exchange will also launch a pilot programme of hand-held computer terminals that will enable traders to record trades as they are made and cut down on costly mistakes.

The Philadelphia and Pacific exchanges are also looking to complete the phase-in of automatic options execution systems by the end of the first quarter.

A more competitive market will benefit the aggressive exchanges whose systems are most up-to-date – which is probably why the CBOE and Amex, with their high levels of technological expertise, are in no hurry to link up the industry.

Lafarge in perpetual note offer

By George Graham in Paris

LAFARGE Coppée, the French cement group, is to raise FFr3bn of cash by a major private placing of perpetual capital notes.

The issue, lead-managed by J.P. Morgan, is one of the largest offerings of perpetual notes, which provide companies with a close substitute for straightforward equity, to be undertaken in French francs.

Morgan will place FFr4bn of the perpetual notes, which pay an interest rate of Paris Interbank Offered Rate (Pibor) plus 45 basis points, but FFr1bn will be set aside in single coupon bonds.

These bonds, when they mature in 15 years' time, will be used to repay the perpetual notes, leaving Lafarge with unencumbered capital.

Lafarge has been expanding rapidly over the past year. In June it announced a FFr5bn two-pronged deal to acquire control of Cementia in Switzerland and Asland in Spain, pushing it into second place in the world cement industry behind Holderbank of Switzerland. Investments by its US subsidiary, Lafarge Corp, cost another $300m.

In August, in partnership with the state-owned chemicals group Rhône-Poulenc, Lafarge took control of the Clause seeds company from Compagnie du Midi, for an outlay estimated at FFr300m. It has now just completed the purchase of Aslan Cimento in Turkey, at a cost of around $90m.

The perpetual notes will allow it to refinance the cost of these acquisitions, while avoiding dilution of its earnings per share.

Lafarge thereby reopens its borrowing potential in case of future acquisition opportunities.

The technique of the perpetual note was first used in France by state-owned companies such as Rhône-Poulenc to get around the restrictions placed by the Government on sales of new shares to the public. However, the mechanism has also proved attractive to private sector companies, partly to avoid weakening their majority shareholders, but also because the interest payments on the bulk of the perpetual notes are tax-deductible, unlike dividend payments on pure equity.

Paris bankers estimate that the true cost of raising equity in France now is at least 13 per cent to 14 per cent, leaving the perpetual notes still substantially cheaper.

Merrill Lynch launches country fund for Spain

By Deborah Hargreaves

MERRILL Lynch yesterday launched a new $50m country fund for investors in Spain. The closed-end fund, to be called the Euro-Spain fund and listed in Amsterdam, is the latest in a rush of interest in investing in Spain and Portugal.

The new fund is aimed largely at investors in the Far East, where closed-end funds are becoming more popular. Merrill already manages the open-ended Iberia Capital Appreciation Portfolio, which is listed in London and invests mainly in Spain with a 10 per cent participation in Portugal.

The Spain funds are attracting Japanese interest, as country funds are popular in the Far East.

A Spain fund listed in New York is trading at a 120 per cent premium to net asset value, while the First Iberia fund is at a 32 per cent premium.

Merrill says its closed-end fund will have the flexibility to invest in smaller, possibly less liquid companies than its open-ended fund.

● J.P. Morgan Securities was the lead manager in New York of a domestic $100m negotiated five-year Euromarket issue for Chubb Insurance.

This was its first such deal, after permission was given last year by the Federal Reserve for commercial bank subsidiaries to underwrite bond issues.

In October last year, Morgan was the first to lead manage a competitive mandate.

Market-makers drop contract on poor demand

TWO market-makers are to discontinue activity in the four-year Treasury bill contract run by the OMF, the number two French futures exchange after the Matif, Reuter reports.

The two are the bank Finance Plus and broker Meeschaert Rousselle. Volume in the contract has been low: on Monday it was 297 lots, and an average 345 in December.

The remaining market-makers, Crédit Lyonnais, Caisse des Dépôts et Consignations, Société Generale, Banque Nationale de Paris and Crédit Commercial de France, have reaffirmed their commitment to the contract.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Tuesday January 9 1990: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1990 to date	Mon Jan 8: Index No.	Fri Jan 5: Index No.	Thu Jan 4: Index No.	Year ago (approx): Index No.
1 CAPITAL GOODS (202)	955.48	+0.3	11.94	4.47	10.28	0.00	952.34	955.25	960.80	808.75
2 Building Materials (27)	1173.32	+0.4	13.42	4.82	9.29	0.00	1169.06	1171.82	1181.09	969.70
3 Contracting, Construction (36)	1611.07	+0.3	15.70	4.90	8.35	0.00	1606.27	1612.87	1621.44	1515.23
4 Electricals (10)	2714.30	+0.3	9.95	4.58	12.63	0.00	2705.79	2723.67	2751.15	2379.68
5 Electronics (30)	2044.72	+1.0	8.95	3.58	14.39	0.00	2024.49	2020.80	2025.67	1896.87
6 Engineering-Aerospace (8)	492.18	+1.5	12.22	4.48	10.10	0.00	485.01	491.52	495.50	0.00
7 Engineering-General (44)	501.89	+0.2	11.21	4.66	10.74	0.00	500.95	501.70	502.82	0.00
8 Metals and Metal Forming (6)	504.54	.....	23.37	5.96	4.83	0.00	504.46	509.22	515.57	464.72
9 Motors (16)	401.37	+0.5	13.25	5.26	8.84	0.00	399.28	399.95	403.90	266.72
10 Other Industrial Materials (25)	1753.05	-0.4	9.57	4.11	12.12	0.00	1759.81	1765.99	1773.27	1359.33
21 CONSUMER GROUP (180)	1354.92	+0.5	8.39	3.50	14.90	0.00	1348.69	1352.80	1354.22	1046.55
22 Brewers and Distillers (22)	1573.41	+1.5	9.13	3.34	13.60	0.00	1550.00	1543.71	1543.62	1135.71
25 Food Manufacturing (19)	1175.66	+0.4	9.24	3.76	13.44	0.00	1170.67	1181.56	1177.11	955.20
26 Food Retailing (16)	2340.93	+0.4	8.78	3.23	14.78	0.00	2332.56	2337.48	2346.16	1827.71
27 Health and Household (13)	2754.15	.....	5.69	2.37	20.95	0.00	2755.07	2786.41	2795.49	1860.31
29 Leisure (34)	1717.22	+1.6	7.78	3.45	15.83	0.00	1700.06	1682.94	1686.27	1373.96
31 Packaging & Paper (15)	587.28	+0.3	11.21	4.91	11.21	0.00	585.29	587.62	588.58	537.49
32 Publishing & Printing (17)	3785.97	-0.5	8.31	4.63	15.54	0.00	3804.25	3828.92	3853.61	3311.66
34 Stores (31)	835.12	+0.2	10.48	4.50	12.41	0.00	833.60	833.69	831.92	781.56
35 Textiles (13)	546.32	-0.7	10.58	5.48	11.46	0.00	550.13	551.80	554.37	476.36
40 OTHER GROUPS (103)	1224.83	+0.2	10.45	4.46	11.46	0.00	1222.22	1228.94	1231.46	921.85
41 Agencies (16)	1624.07	+1.1	6.51	2.23	18.87	0.00	1606.66	1611.08	1606.69	1090.40
42 Chemicals (22)	1295.68	+0.7	11.70	4.97	10.08	0.00	1286.93	1295.87	1290.50	1074.19
43 Conglomerates (14)	1699.20	+0.3	10.68	5.14	10.96	0.00	1694.90	1698.12	1699.92	1283.69
44 Transport (13)	2417.23	+0.4	10.01	3.98	12.73	0.00	2407.81	2425.92	2458.00	1909.02
46 Telephone Networks (2)	1249.27	-0.3	10.17	4.10	12.79	0.00	1252.73	1268.46	1280.73	1021.74
47 Water (10)	1983.11	+0.5	17.57	6.83	6.30	0.00	1973.99	1983.80	2011.56	0.00
48 Miscellaneous (26)	1977.38	-0.1	8.96	4.19	12.59	0.00	1979.25	1977.08	1973.25	1280.06
49 INDUSTRIAL GROUP (485)	1230.49	+0.4	9.91	4.04	12.34	0.00	1226.16	1230.82	1234.57	966.29
51 Oil & Gas (15)	2407.42	-0.3	8.99	4.76	14.71	0.00	2414.34	2437.71	2454.08	1757.05
59 500 SHARE INDEX (500)	1329.38	+0.3	9.79	4.14	12.62	0.00	1325.87	1331.98	1336.78	1033.53
61 FINANCIAL GROUP (114)	862.37	-0.2	–	4.93	–	0.00	864.19	865.51	865.58	683.69
62 Banks (9)	981.04	+0.9	19.12	5.58	6.08	0.00	893.15	980.77	895.52	678.07
63 Insurance (Life) (7)	[illegible]	[illegible]	–	[illegible]	–	0.00	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Composite) (7)	723.77	-3.4	–	[illegible]	–	0.00	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Brokers) (6)	1170.26	[illegible]	[illegible]	[illegible]	[illegible]	0.00	[illegible]	[illegible]	[illegible]	[illegible]
67 Merchant Banks (8)	[illegible]	[illegible]	–	[illegible]	–	0.00	[illegible]	[illegible]	[illegible]	[illegible]
68 Property (49)	1236.29	[illegible]	[illegible]	[illegible]	[illegible]	0.00	[illegible]	[illegible]	[illegible]	[illegible]
70 Other Financial (28)	350.52	[illegible]	[illegible]	[illegible]	[illegible]	0.00	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (68)	1315.31	[illegible]	–	[illegible]	–	0.00	[illegible]	[illegible]	[illegible]	[illegible]
81 Overseas Traders (5)	1569.86	[illegible]	[illegible]	[illegible]	[illegible]	0.00	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (687)	1218.62	+0.2	–	4.22	–	0.00	1215.80	1220.77	1224.52	947.66

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 5	Jan 4	Jan 3	Jan 2	Year ago
FT-SE 100 SHARE INDEX†	2436.3	+5.0	2437.8	2428.5	2431.3	2444.5	2451.6	2463.7	2434.1

FIXED INTEREST

PRICE INDICES	Tue Jan 9	Day's change %	Mon Jan 8	xd adj. today	xd adj. 1990 to date
British Government					
1 Up to 5 years	116.48	-0.06	116.55	–	0.25
2 5-15 years	128.58	-0.44	129.06	–	0.08
3 Over 15 years	137.47	-0.59	138.29	–	0.00
4 Irredeemables	156.31	-0.44	157.01	–	0.00
5 All stocks	127.07	-0.33	127.49	–	0.14
Index-Linked					
6 Up to 5 years	141.74	+0.23	141.42	–	0.00
7 Over 5 years	140.27	-0.25	140.63	–	0.00
8 All stocks	140.26	-0.21	140.57	–	0.00
9 Debentures & Loans	106.05	-0.06	106.11	–	0.00
10 Preference	84.42	-0.04	84.45	–	0.00

AVERAGE GROSS REDEMPTION YIELDS		Tue Jan 9	Mon Jan 8	Year ago (approx.)
British Government				
1 Low Coupons	5 years	10.25	10.27	9.39
2	15 years	9.77	9.74	9.09
3	25 years	9.72	9.69	8.79
4 Medium Coupons	5 years	11.25	11.18	10.57
5	15 years	10.26	10.17	9.46
6	25 years	9.91	9.81	9.21
7 High Coupons	5 years	11.40	11.34	10.80
8	15 years	10.44	10.36	9.81
9	25 years	10.06	9.95	9.11
10 Irredeemables		9.79	9.74	8.96
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.84	3.91	3.73
12 Inflation rate 5%	Over 5 yrs.	3.63	3.63	3.72
13 Inflation rate 10%	Up to 5 yrs.	2.98	3.05	2.54
14 Inflation rate 10%	Over 5 yrs.	3.49	3.47	3.56
15 Debs & Loans	5 years	13.72	13.72	11.66
16	15 years	12.47	12.46	11.28
17	25 years	12.12	12.11	10.95
18 Preference		10.93	10.93	10.35

†Opening index 2429.1; 10 am 2422.8; 11 am 2425.6; Noon 2430.8; 1 pm 2433.3; 2 pm 2433.4; 3 pm 2436.5; 3.30 pm 2433.3; 4 pm 2432.8 (a) 2.38pm (b) 9.29am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 34p.
CONSTITUENT CHANGES: Scandinavian Bank (68) has been deleted.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	5	92	3
Corporations, Dominion and Foreign Bonds	0	8	32
Industrials	417	303	887
Financial and Properties	137	176	380
Oils	19	32	42
Plantations	1	0	5
Mines	28	45	86
Others	51	97	109
Totals	658	753	1,548

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
$100	F.P.	–	101	98	Abtrust New Thai Inv.	98	-1	–	–	–	–
§	F.P.	–	61	45	Do. Warrants	60		–	–	–	–
95	F.P.	–	86	81	Air London 5p	86		R2.25	2.5	3.5	13.1
¶	F.P.	–	30	23	Analysis Hldgs. 20p	28		–	–	–	–
240	100	–	171½	100	Anglian Water	163	+2	R15.3	2.3	6.7	7.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1989/90 High	1989/90 Low	Stock	Closing Price p	+or-
11	Nil	–	1¼pm	¾pm	Abacus Fidelity 10p	¾pm	
15	Nil	–	7½pm	6½pm	Ashra Petroleum	6½pm	-½
290	Nil	2/2	6½pm	4½pm	Fisons	4½pm	+3

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. § Offered to holders of ordinary shares as a "rights". ‡ Introduction. ¶ Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market.

TRADITIONAL OPTIONS

● First Dealings Jan 8
● Last Dealings Jan 19
● Last Declarations Apr 5
● For settlement Apr 17

For rate indications see end of London Share Service

Calls in Amstrad, Arabex, Cookson, Eurotunnel units, Ferranti, FNFC, Holmes Protection, Kalon, Knight Gold, Rand Lease, Trident Pet. and Williams Hldgs. Put and call in Ibstock Johnsen and Molopo.

LONDON TRADED OPTIONS

IT WAS another uncertain day for London Traded Options yesterday as activity remained low in a market still to recover from the seasonal slowdown. Few retail investors were active in the market and business was dominated by institutional trading.

Total exchange volume at 25,704 lots was predominantly in call options where 17,505 contracts were traded, compared with 8,199 puts. Activity in the FT-SE 100 index option was low and remained largely the province of large institutions which took advantage of a contraction in options premiums in the slow market.

Volume in the FT-SE 100 index option was at 4,331 lots of which 2,474 were calls and 1,857 were puts. The busiest series was the January 2,150 call which traded 495 lots.

British Steel led the list of most active stock options with a trading volume of 1,847 lots. These were predominantly call options with 1,812 calls changing hands and 35 puts. The busiest series was the January 145 call which traded 1,007 lots.

Storehouse was the second most active stock option with 1,737 lots traded. Much activity in Storehouse was speculative following a recent rise in the company's stock price. Call options were busiest with 1,674 traded compared with 63 puts. The busiest series was the January 120 call which traded 1,100 lots.

Rolls Royce was the third most active stock option with 1,055 contracts changing hands. This was the result of institutions buying calls and selling puts after a favourable report on the company by a major brokerage house. The company saw 544 calls and 600 puts traded and the busiest series was the March 180 put, which traded 600 contracts.

GEC as the fourth most active option traded 908 lots of which 708 were calls and 200 were puts. The busiest series was the February 220 put which traded 200 contracts.

The fifth most active stock option was United Biscuits where 850 contracts changed hands. Of these 750 were calls and 100 puts. Open interest on the LTOM was at 801,320 contracts on Monday with open interest in the FT-SE 100 index option at 79,566 lots.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allid Lyons (*505)	460	[illegible]	73	78	1½	6	14
	500	16	42	51	7	18	27
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Storehouse (*123)	120	6	14	17	4	8	[illegible]
	130	3	10	–	11	13	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls			Puts		
Polly Peck (*417)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FT-SE INDEX (*2435)

[illegible]

FT-SE Index Calls 2474 Puts 1857
*Underlying security price. † Long dated expiry months

UK COMPANY NEWS

Howden expands 32% to top £7m

By Clare Pearson

HOWDEN GROUP, the Glasgow-based engineering company, recorded a 32 per cent increase from £5.36m to £7.07m in pre-tax profits for the half-year to end October.

Mr Johnny Johnsen, chairman, said the first six months had seen a significant increase in the group's order book.

The second half had begun well with an order, worth more than £20m, for booster fans and gas heaters for the flue gas desulpherisation programme.

Aside from manufacture of fans and air preheaters, Howden's interests span a range of activities including the construction of tunnel and shaft boring equipment – for the Channel Tunnel among other projects.

The company sees future growth coming particularly from the power-related activities, as the development of the flue gas desulpherisation programme opens up further opportunities, and also from tunnelling.

This activity is currently being boosted by a large Danish contract for the supply of equipment for the Great Belt tunnel, linking the islands of Jutland and Zealand.

Since the half-year end, Howden has acquired Far East Drilling Consultants and Suppliers (Fedco) in Hong Kong, intended as a base from which to market products in the Far East.

Among the smaller activities, defence order books were yesterday described as in a healthy state, while construction and mining have been benefiting from the addition of Wirth, a West German company acquired last year.

Turnover surged to £126m (£95.63m). Earnings per share rose from 4.1p to 4.9p and the interim dividend is lifted by 12 per cent to 1.59p.

COMMENT

Howden, which suffered dreadful problems with its now-sold Californian wind power operations a few years ago, has found a number of admirers during its recovery phase; these results did nothing to dent their confidence. The company can hardly escape the generally darkening outlook for its sector, but its involvement in tunnelling, a flourishing activity at present, and the prospects for follow-on orders for flue gas desulpherisation equipment certainly stand in its favour. Earnings per share this year are expected to reach about 15.5p, up from 12.3p, and grow by more than 15 per cent next, despite flattening turnover. All in all, Howden is viewed as one of the best of the bunch at this stage of the engineering cycle. But the shares, standing at a small premium to their sector on a prospective p/e of over 10.5, are hardly staggeringly cheap.

Bucknall Austin acquires French quantity surveyor

By Richard Tomkins, Midlands Correspondent

BUCKNALL AUSTIN, Britain's only quoted quantity surveyor, yesterday combined its interim figures with news of what it believes is the first acquisition by a UK firm of a quantity surveyor in France.

It is buying Thorne Wheatley Associes, a leading Paris-based firm, for between FFr3m and FFr12m (£320,000 and £1.28m) in cash and shares, depending on profits in the year ending June 1990.

Mr David Bucknall, chairman, said statistics showed that downturns in the UK construction economy were matched by upturns in France. The acquisition would also provide a base for the expansion of operations in Europe.

He also announced a 37 per cent increase in pre-tax profits from £516,000 to £706,000 for the six months to end-October, with earnings per share ahead 22 per cent at 6.2p (5.1p). The interim dividend is 1.3p (1.1p).

Profit margins were squeezed on project management by the need to put more resources into existing projects, so quantity surveying led the growth, with profits up from £408,000 to £578,000.

Mr Bucknall said he expected the economic slowdown to cut UK construction turnover by 5 per cent in 1990, but he believed Bucknall Austin's broad client base and wide experience would produce another satisfactory year.

TVS retains executives with modest package

By Raymond Snoddy

THE 'golden handcuffs' designed by TVS Entertainment to hold its top British television executives through the next round of ITV franchises have turned out to be somewhat less than generously gilded.

London Weekend Television will be making share options available to its top 40 executives which could turn many of them into millionaires if it retains its franchise.

On the other hand, TVS has managed to sign up at least 17 out of the top 20 in its TVS Television team with a far more modest package.

TVS is offering a £10,000 signing on fee plus a flexible bonus if the company makes it through the competitive tendering process planned by the Government.

This means that the top TVS executives have tied themselves into contracts for at least four years or more, and Mr Gatward appears to have bought continuity of his top management at a relatively modest price.

Experienced television executives and programme makers are going to be at a premium, particularly over the next few years, when the Government seems determined to put out commercial broadcasting licences to the highest bidder following a "quality threshold."

Meggitt pays $8m for controls service group

By Andrew Bolger

MEGGITT, the specialist engineering group, has bought Sunvic Regler, an instrument and controls service company, from Fisher Controls International, a wholly-owned subsidiary of Monsanto Company.

Meggitt paid $8.1m (£4.86m) for Sunvic, which operates in the chemical, petro-chemical and associated industries and has more than 60 sites in Europe and the UK.

Sunvic designs, supplies, installs and services controls and instrumentation for both new installations and plant refurbishment. It also acts as a maintenance contractor, taking over large parts of the service functions for customers who are increasingly sub-contracting responsibilities for these areas of plant control and overhaul.

The business employs some 1,100 people and has recently been subject to major restructuring. Its central office is at Solingen, West Germany, with associated companies in Belgium, the Netherlands, Austria and the UK.

Meggitt said that as a newly-established independent controls contractor, Sunvic would have access to the existing businesses within the controls and energy division of Meggitt, which would allow it to increase the scope of its service to customers while at the same time extending the demand for Meggitt's existing manufactured products.

Mr Ken Coates, Meggitt's managing director, said: "The acquisition will make Meggitt Controls the largest division in the group and establish Meggitt as a major company in the controls and instrumentation sector in Europe.

It represents a further step in our expansion plans for the controls division in Europe at a time when Europe, and Germany in particular, is undergoing substantial change. Sunvic has already successfully executed a number of contracts in Eastern Europe."

In November Meggitt lapsed its £104m hostile bid for United Scientific Holdings after meetings with the troubled defence contractor about *its finances failed to reassure* Meggitt.

Strong finish to pre-Christmas trading at Asda

By Maggie Urry

ASDA, the food retail group, said that its Christmas trading had finished strongly.

Mr John Hardman, chairman, told shareholders at a special meeting held to approve a property transaction announced late last year, that "the four-week period covering Christmas and New Year proved satisfactory overall".

Last month Asda reported a 24 per cent fall to £83.5m in interim pre-tax profits, and, at that time, Mr Hardman said: "The start of the important pre-Christmas trading period in Asda Stores has been sluggish."

He said that the strong finish, particularly in the last week, had especially benefited fresh food sales. The group's distribution system – where problems had been partly responsible for the first-half profit fall – had performed well, he added.

Shareholders approved the property deal which involves setting up a joint venture company and selling some properties to it, releasing £275m net *cash to Asda*.

Countryside affected by sharp decline in residential activity

By Paul Cheeseright, Property Correspondent

COUNTRYSIDE Properties, the Essex-based company which has been building up its commercial property activities, managed to increase its pre-tax profits slightly in the 1988-89 year in spite of being hurt by the downturn in the residential market.

Taxable profits for the 12 months to end-September were £20.3m against £19.25m in the previous year. Earnings per share came out at 36.9p against 35.5p. The dividend for the year is being increased to 4p (3.15p) via a final of 2.7p (2.15p).

Countryside, based in Brentwood and with activities concentrated in the south east, suffered, like other housebuilders, from high interest rates.

But it was protected to some extent by the amount of work it had taken on in partnership with building societies and housing associations.

For all that, turnover in the residential division dropped 21 per cent to £90.6m and trading profits were down 34 per cent at £13.8m. By contrast, turnover on *commercial property* activities – trading and development – was up 53 per cent and trading profits rose more than fourfold to £11.1m.

The figures showed that Countryside had broken its reliance on residential property development.

They take the company a stage nearer the aim of achieving a roughly equal balance between residential development, commercial development and rental income.

Commercial property profits last year were boosted by the completion and sale of office developments in Brentwood and on the fringes of the City of London and by a retail warehouse park.

On the residential side, 805 homes were completed – 220 for owner-occupation and the rest for partnerships.

Looking ahead Mr Alan Cherry, chairman, thought 1990 would be "the most difficult year for trading since 1981."

There are signs of a downturn in the commercial property market, and the residential market is hardly likely to be much better in 1990 than it was in 1989 without some stimulus to homebuyers from a cut in interest rates.

Mr Cherry noted in December and January a higher degree of interest from housebuyers and believed "we're just beginning to see a little bit of improvement – it's just at the beginning – I wouldn't put it stronger than that."

Countryside has been in the market itself, building up its land bank. It now has land with planning permission for 2,800 homes, over four years of supply at current levels of output. It also has options on land, without planning permission, which could provide space for a further 6,500 homes.

Buoyant pensions lift for Pearl

By Eric Short, Pensions Correspondent

A BUOYANT pensions market last year, boosted by the new style personal pensions, provided the basis for a steady rise in new business by Pearl Assurance Company, now part of the Australian Mutual Provident Group.

The group sold £32.1m of recurring single premiums based on personal pensions used to contract out of the State Earnings-Related Pension Scheme.

In addition, it sold £30.9m of new annual premiums on ordinary personal pensions against £9.2m in 1988 and £2.5m of single premiums against £600,000 in the previous year.

Business was also active in the buy-out market for contracts used by employees changing jobs to transfer their accrued pension benefits. This showed an increase of 27 per cent from £42.2m to £53.7m.

Other annuity business also showed strong growth, rising 37 per cent from £15.1m to £20.7m.

Sales of life products generally improved last year, though results were somewhat mixed.

Annual premium on non-linked business rose by 12 per cent from £13.9m to £15.6m and by 6 per cent on linked business from £5.4m to £5.7m.

Premiums in the Industrial branch declined 5 per cent from £24.5m to £23.3m, but this is regarded as satisfactory given the impact of the financial services rules on this business and the concentration by agents on pensions business.

Single premium life business showed a mixed pattern with linked bond sales falling from £48.9m to £23.7m, but non-linked assurances rising from £5.1m to £22.5m.

Overall, Pearl showed a rise from £69m to £76.3m in new annual premiums, a climb in single premiums from £11.9m to £123.1m and £32.1m of recurring single premiums against £15.1m.

Mr Godfrey Bowles, Pearl's new managing director, said that these successes in 1989 would enable Pearl to start the new decade with confidence.

Refuge restricted by downturn in life sales

NEW BUSINESS results from Refuge Group showed a varied pattern. Good pension sales, mainly of the new style personal pensions used to contract-out of the State Earnings-Related Pension Scheme, were offset by dull life sales in the ordinary branch as a result of the depressed mortgage market, writes Eric Short.

New single premiums tripled from £20.3m to £64.5m, with pensions business jumping from £838,000 to £23.8m and life business, mainly guaranteed income bonds, rising from £7.6m to £32.4m. Linked-life bond sales, however, dropped from £11.1m to £8.6m.

However, pension annual premiums fell from £3.5m to £2.8m, indicating that very little ordinary personal pension business was sold. Annual premiums on life assurance dropped from £6.9m to £6m on non-linked business, but rose from £1.2m to £1.6m on linked business.

Finally, the group's Industrial business saw premiums improve by 13 per cent, from £12m to £13.4m.

Hawtin falls to £1.15m

HAWTIN, the Blackpool-based industrial management company, yesterday reported a 12 per cent decline from £1.3m to £1.15m in pre-tax profits in the year to end-September 1989.

The result was struck on turnover down 5 per cent to £22.85m (£24.09m) and after operating costs of £21.24m (£22.27m) and interest payable of £456,000 (£526,000).

Tax took £431,000 (£379,000) and the proposed final dividend of 0.75p (0.5p) is payable from earnings per 5p share of 1.15p (1.51p).

Jennings Bros 8.7% higher

JENNINGS Brothers, the Cockermouth, Cumbria-based independent brewery, lifted taxable profits by 8.7 per cent to £489,000 in the year to September 30 1989.

The result was posted on turnover virtually unchanged at £6.2m. Higher sales on the brewery side were offset by lower soft drinks sales.

Mr Tom Bushby, chairman, said the soft drinks operation continued to cause concern and further rationalisation plans were being put in motion.

Stated earnings per share were 11.6p and the final dividend is a same-again 2.85p to give a maintained total for the year of 4.65p.

The shares are traded on the over-the-counter market.

James Dickie proposals defeated

By Clare Pearson

At Monday's EGM of James Dickie, the Scottish-based drop forger and iron founder, requisitioned by dissident shareholders prior to the recent announcement of a reverse takeover deal, proposals to unseat board members were defeated.

A concert party speaking for some 22 per cent of Dickie's shares said at the end of last month it would drop long-running opposition while shareholders considered the proposed purchase of Goldstar, a larger privately-owned engineering company. This would be an all-share transaction valuing Goldstar at £7.7m.

Proposals to remove three board members and replace them by nominees of Specialist Holdings, an investment concern which spearheaded the opposition, were defeated by a margin of about 12 to 1 votes cast, on a poll representing 74.6 per cent of the capital.

Blue Circle offer for Myson unconditional

Blue Circle Industries, the cement and home products company, has more than 50 per cent of Myson's shares and has declared its £196m offer for the boiler manufacturer unconditional. Its agreed bid was renewed last month after MMC clearance.

Blue Circle already held a 29.2 per cent shareholding in Myson and has since acquired a further 21.8 per cent.

Waterford workers reject cost-reduction plan

By Kieran Cooke in Dublin

WORKERS in the crystal division of the Waterford Wedgwood Group have rejected a management plan aimed at reducing costs and returning the group to profitability.

Management had told workers at the Waterford plant in Ireland that 250 layoffs, short time working and the scrapping of various bonus payments was needed this year if the group was to make a profit of I£10m (£9.5m).

It is now estimated that group losses last year amounted to I£20m.

Workers at the Waterford plant said they would not be backed into a corner and questioned whether the company's financial position was as serious as had been reported.

Earlier this week Waterford Wedgwood said it was in discussions with an unnamed party interested in taking a major share in the group.

Reports indicate that Fitzwilton, a Dublin-based investment company headed by Mr Tony O'Reilly, is seeking to acquire a 30 per cent stake in Waterford.

New name for Britannia Arrow

Britannia Arrow Holdings is to change its name to INVESCO MIM with effect from the beginning of next month.

The new name is compounded from the titles of two of the group's subsidiary companies in the US and the UK respectively, and the change is said to reflect the globalisation of business.

According to Lord Stephens, chairman, the name Britannia "had nationalistic connotations in some countries" and was considered particularly unhelpful in France and certain other European states.

There are no plans at this stage to change the names of individual trading subsidiaries, which in Britain include MIM Britannia in unit trusts and NEL Britannia in unit-linked life assurance.

Lord Stevens said that the group was unwilling to bear the £2m-£3m cost of changing all the trading names.

UK COMPANY NEWS

Andrew Hill reports on the interim results of two water companies

Anglian on target with £28.5m

ANGLIAN WATER has delayed any attempt to raise long-term finance through an issue of sterling bonds because of poor market conditions.

Anglian is one of the 10 former water authorities floated on the stock market before Christmas and had been poised to launch a bond issue in the first weeks of the year.

However, demand for sterling bonds has slackened, deterring water companies from drawing down long-term funding this early in the year.

Mr Andrew Semple, Anglian's managing director, said yesterday: "We are still thinking of a bond issue but the timing has to be decided: we are not going to launch into it without a lot of careful thought."

Anglian, 9 per cent of which is owned by Lyonnaise des Eaux, the French water supplier, yesterday announced taxable profits for the half-year to end-September of £28.5m.

The figures are not that meaningful for shareholders because they cover the six-month period before privatisation but Anglian said they demonstrated it was on target to meet the full-year figure of £83m forecast in the offer prospectus, and to recommend the forecast final dividend of 10.21p.

Turnover was nearly £200m and, had debt restructuring associated with privatisation taken place before the half-year began, Anglian would have reported profits of £62.7m before tax and earnings of 21.3p per share. There was a £6.7m extraordinary charge relating to privatisation and restructuring costs.

Lyonnaise declared its stake in Anglian after just a week of hectic dealing in the shares of all 10 new water PLCs. The French group, which already owns four statutory water companies in the UK, also revealed holdings of 6 per cent in Wessex Water, and 2 per cent in Severn Trent.

Mr Semple said Anglian was planning to meet Lyonnaise executives in March.

Commenting on Anglian's first weeks as a publicly-quoted company he said: "We are on a learning curve – learning to live with the regulatory regime, learning to respond to the City and the sort of discipline that imposes. But on the whole I think we have found it a stimulating and healthy experience."

Anglian's partly-paid shares rose 2p to 163p yesterday, against the offer price of 100p and a peak of 171½p.

Welsh Water set to beat full-year forecast

WELSH WATER, one of the 10 newly-privatised water companies, said yesterday it might surpass its forecast for full-year profits.

The company announced interim profits for the six months to September 30 of £18.4m before tax, in line with the forecast of £35.5m for the full year contained in last month's offer prospectus.

Turnover for the six months was £129m and there were privatisation and restructuring costs of £3.4m. Assuming the new capital structure had been in place from April 1, Welsh would have reported pre-tax profits of £55.1m and earnings per share of 38.2p.

Mr John Elfed Jones, chairman, said: "We are very pleased with events thus far. We look set fair to achieve at least what we forecast in the prospectus."

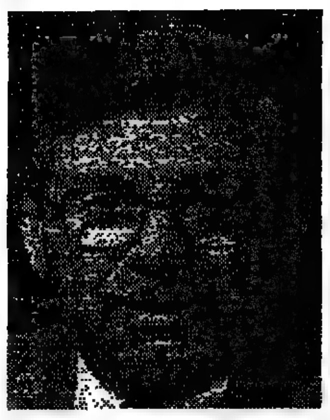
He added that the group was intending to issue Section 212 notices under the Companies Act to discover the ultimate owners of about 50 nominee shareholdings on Welsh's initial share register of 150,000 investors. Some 130,000 of Welsh's shareholders on the first day of dealings were private buyers, said Mr Jones.

Welsh, like other water companies, is considering raising long-term finance through the issue of bonds, but Mr Graham Hawker, finance director, said there was no need to plunge into the bond market at once.

"We are one of those water companies which received a substantial cash injection [from the Government] so we have no immediate problems with cash for the core business," he said.

The 10 former water authorities were floated on the stock market on December 12. Their shares have since risen to large premiums above the partly-paid offer price of 100p, helped by the rumoured or actual stake-building of French water suppliers interested in the UK industry.

Welsh, however, differs from its nine counterparts in that its protection against takeover – the Government's "golden share" – continues after five years through its articles of association. In spite of the absence of takeover speculation the company's share price, bolstered by the second highest dividend yield at the start of dealings, has risen as high as 169p. It closed yesterday up 3p at 161p.



John Elfed Jones: "very pleased with events thus far"

Sales emphasise strength of Dixons' property side

By Paul Cheeseright, Property Correspondent

DIXONS, the consumer electronics retailer fighting a hostile bid from Kingfisher, sought yesterday to emphasise the strength of its property activities by announcing £19.3m of sales in West Germany.

Retail developments in Remscheid and Monchengladbach were sold to AGI Pension Fund for £10.8m and £5.2m respectively, while an office building in Dusseldorf was sold to Irish Life for £3.3m.

All the properties came from the stock of Dixons Commercial Properties.

DCP is expected to make pre-tax profits of £20m during the year to April. This figure would include the surplus from the sales of the three German properties, all of which were arranged, but not completed, before Kingfisher made its bid.

Properties held by DCP were valued last December at £174.9m, with a further series of sites under development

Metal Closures forecasts profits rise in bid defence

By Andrew Hill

METAL CLOSURES Group, the packaging and printing company fighting a hostile £52.3m bid from Wassall, yesterday forecast that profits in 1990 would show "a significant improvement over 1989."

The company forecast before Christmas that profits in 1989 would fall by 45 per cent to at least £4.5m. Mr Richard Graves, chairman, said exchange rates and raw material prices were now more favourable, and MCG was on target for price increases on over 80 per cent of its plastic closures output for 1990.

Wassall owns or has received acceptances representing 30.7 per cent of MCG's shares, but that includes 29.9 per cent committed to the 160p cash alternative by Suter.

Wassall's shares added another 3p to close at 219p yesterday. At that price the more valuable cash-and-shares offer is worth almost 203p, against MCG's close of 189p, up 1p.

Institutions back independent pub venture

By Philip Rawstorne

NORTHUMBRIA INNS was formed yesterday to develop a group of independent pubs in the north-east of England.

The company is believed to be the first established to take advantage of the opportunity created by the Monopolies and Mergers Commission proposal to limit the number of tied houses owned by major brewers.

Several thousand pubs are expected to come on the market over the next three years. Scottish & Newcastle Breweries has already announced that it intends to sell 300 of its 2,300 outlets this year.

Northumbria Inns, founded by two former brewery managers – Mr George Alderson and Mr John Curran – aims to acquire more than 50 pubs in the north-east and north Yorkshire over the next two years.

Equity finance of £6m has been arranged by Electra Kingsway, and other institutional investors include County NatWest Ventures and 3i. A further £10m of mortgage finance will be provided by the brewery trade.

Mr Curran said yesterday: "We shall focus on the acquisition and refurbishment of traditional pubs to appeal to the over-40s, an area which we feel has previously been neglected by the major brewers."

Fine Art Devs warns of action on missed deadline

By Clare Pearson

Fine Art Developments, the Bradford-based greetings cards maker and distributor, is threatening legal action against EFL, a Dutch privately-owned conglomerate, if it does not speedily carry out its promise to buy Fine Art's Australian operations in a deal worth about A$30m (£14m).

On December 6 last year EFL bought 31 per cent of Fine Art's 64 per cent stake in Bell & Howell, into which all the company's Australian operations had earlier been put.

The balance of Bell & Howell's shares was to be acquired by EFL through a public offer. But this had not been made by the deadline of January 5.

Fine Art said yesterday it was seeking a commitment from EFL that it would make its offer by this Friday. The company also said it was taking legal advice "and in the event that such a commitment is not forthcoming will vigorously pursue all appropriate legal remedies."

EFL has announced it has been granted an extension until March 6 within which to dispatch its offer by the Corporate Affairs Commission of New South Wales.

Edinburgh Oil & Gas purchase

By Steven Butler

Edinburgh Oil & Gas said yesterday that it had agreed to purchase for an undisclosed cash sum BP Exploration's interests in two onshore licences in the south of England, including interests in the Humbly Grove field.

Edinburgh is to disclose at a later date the amount paid for the interests. Also included are the Herriard field, which together with Humbly Grove produce 1,000 barrels a day, and the Horndean field, which produces 150 barrels a day.

Taking into account Edinburgh's interest in the fields, the purchases will add 90 barrels a day to its production total.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Banks (Sidney C), Bespak, Cowan de Groot, Fairbriar, First Technology, Hambros Eurobond & Money Market Fund, Markheath Securities, North West Water, Planning Research & Systems, Sheafbank Property Trust, Wessex Water, Wyko.

Finals- Alexanders Holdings, Economic Forestry, Horne (Robert), PWS, M & G Dual Trust, Southern Business, Torex Hire, VPI.

FUTURE DATES

Interims-	
Allied Leisure	Jan. 18
Barnato Exploration	Jan. 29
British Bloodstock Agency	Jan. 24
DAB Investments	Jan. 19
Daejan	Jan. 25
de Morgan	Jan. 11
Farepak	Jan. 25
Free State Dev	Jan. 18
Johannesburg Cons	Jan. 31
Mieys	Jan. 25
MITIE	Jan. 18
Murray Income Trust	Feb. 27
Murray Smaller Markets	Jan. 23
Murray Ventures	Mar. 29
North of Scotland Inv	Jan. 19
Real Time Control	Jan. 26
Smith (David S)	Jan. 19
Telford	Jan. 15
Westport	Jan. 22
Finals-	
Baldwin	Jan. 22
Cardiff Property	Jan. 19
Colefax & Fowler	Jan. 18
Company of Designers	Jan. 24
Group Development Capital	Jan. 17
LPA Idustries	Jan. 19
Macarthy	Jan. 18
Midland Bank	Feb. 22
Murray International Tst	Mar. 1
Neotronics Technolgy	Jan. 11
Newman Tonks	Jan. 24
Rentokil	Mar. 22
St Andrew Trust	Jan. 19
Selective Assets Trust	Jan. 18

Kunick exceeds expectations with 67% advance to £8.5m

By Clare Pearson

KUNICK, the USM-quoted leisure and healthcare group which last August made the ambitious acquisition of the Bell Fruit amusement businesses, yesterday announced pre-tax profits up from £5.1m to £8.5m in the year to end-September.

Care services led the way, doubling its contribution at the operating level to £1.96m. But there were useful increases too from amusement machines in the UK and France, while visitor attractions advanced more slowly.

Since the year-end Kunick, which paid £87m for Bell Fruit and doubled its size in the process, has raised £29.4m from the disposal of that acquisition's manufacturing activities.

This was to restore the balance of activities, upset by the Bell Fruit purchase, between leisure and healthcare. Kunick's strategy is to use cash thrown up by the one business to fund the costly development of the other.

This month the stake for amusement with prizes machines in the UK was increased from 10p to 20p, the first rise for nine years. But in the current year the benefit to the division, which last year made £3.7m (£2.35m) in difficult market conditions, will be held back by the costs of converting machines.

On the care services side, Goldsborough, the retirement and nursing home division, increased the number of its registered beds during the year from 340 to 592. It will rise to 722 when the existing development programme has been completed.

Amusement machines operations in France produced a profits increase of 75 per cent to £1.68m (£962,000). Visitor attractions moved ahead to £1.2m (£1.01m), with the London dungeon held back by the hot summer and the rail strike.

There are plans to increase the company's presence in France through initiatives in all divisions. In October, Kunick made its first move into the nursing home market in that country, which it believes has interesting potential, through the purchase of two homes.

This year, it will be opening a visitor attraction in the Forum des Halles, Paris, and aims to step up introduction of CD music on the amusement machines side.

Fully-diluted earnings per share were up 41 per cent at 4.94p (3.51p). The final dividend is set at 1.3p (1p), making 1.8p (1.4p), a 29 per cent increase. Group turnover rose to £57.59m (£40.76m).

Mr Russell Smith, chairman, told shareholders that it was the intention to apply for a full listing on the Stock Exchange as soon as it was practicable.

Russell Smith: intending to seek a full listing

● COMMENT

These figures served to reinforce the admiration felt by Kunick by its followers in the City. They were well above expectations at the pre-tax line while a lower-than-expected 28 per cent tax charge produced a very pleasing result at the earnings per share level. Though the real momentum is on the care services side, this year the integration of Bell Fruit into Kunick's existing UK amusement machine operations, thought to be the best in the business, will be the dominant theme. This division should contribute well over half pre-tax profits of about £20.5m: assuming a higher tax charge, the shares stand on a prospective p/e of about 11. The defensive nature of the company's businesses and quality of its management recommends them; but today's buyers have missed out on a big recent run-up after the shares fell sharply in the wake of the announcement of the Bell Fruit deal.

Fletcher bid for UK Paper unconditional

By Maggie Urry

The offer document from Fletcher Challenge, the New Zealand company, in its £299m agreed bid for UK Paper, has been published.

It revealed that Fletcher owns 50.6 per cent of UK Paper's share capital. The offer is unconditional, but would lapse if the bid was referred to the Monopolies and Mergers Commission by January 30, although such a reference is not expected.

Most of the UK Paper directors have large shareholdings in the company dating back to the group's management buy-out in 1986. Mr Tom Wilding, chairman, has 1.64m shares, worth £6.1m at the 375p takeover price, and options over a further 100,000 shares exercisable at 163p apiece.

The UK Paper directors will stay with Fletcher, which has no other paper interests in Europe. Five directors have five year service contracts with the group.

Australian stake in Whitegate

James Fairfax and members of his family who formerly controlled a leading Australian media group, have acquired a 5.35 per cent stake in Whitegate Leisure, the third market leisure group. The stake has been purchased for an estimated £4m.

Barlo falls I£1.2m into the red

Barlo Group, the Irish heating company, ran up a loss of I£1.19m (£1.13m) pre-tax for the six months to September and warned that losses for the full year could reach I£2m. The interim dividend is omitted – 1.25p was paid previously.

Turnover fell from I£13.09m to I£11.59m and a loss per share of 3.62p (1.81p earnings).

For the opening half of the previous year profits totalled I£704,000 but by year-end had fallen to I£243,000.

The directors said efforts were being made to restructure the company.

DIVIDENDS ANNOUNCED

Barlo Group ♣	int	nil	-	1.25	-	1.375
Bucknall Austin§	int	1.3	Feb 26	1.1	-	3.9
Countryside Prop	fin	2.7	Apr 6	2.15	4	3.15
Hewtin	fin	0.75	-	0.5	0.75	0.5
Howden Group	int	1.59	Mar 1	1.42	-	4.6
Jennings Bros §§	fin	2.85	-	2.85	4.65	4.65
Kunick §	fin	1.3†	Mar 8	1	1.8	1.4
Parkfield Group	int	5	Feb 21	3	-	12

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market. ♣Irish currency.

COMMODITIES AND AGRICULTURE

Oil supplies at end of 1989 highest for a decade

By Steven Butler

OIL SUPPLIES outside the communist world during the fourth quarter of 1989, at 54.8m barrels a day, were the highest for a decade, the Paris-based International Energy Agency said yesterday in its monthly oil market report.

This was underpinned by rising production by the Organisation of Petroleum Exporting Countries, which hit 23.9m b/d in December. Opec production was 23.7m b/d during the quarter.

The IEA figures, however, show negligible growth in demand during the second half of the year in the developed countries of the Organisation of Economic Co-operation and Development, which sponsor the IEA. A fall in consumption in North America was balanced by growth in the Pacific Rim countries.

For the year as a whole, OECD demand is estimated to have grown by 1 per cent, while developing country consumption grew by 4.5 per cent, to an average of 14.5m b/d.

The agency's projections for this year would appear to put pressure on Opec's current production, which is widely expected to be at least 22.5m b/d in the first quarter.

It believes that oil demand outside the communist countries in 1990 will reach 52.9m b/d, an increase of about 2 per cent.

However, the IEA expects a 500,000 b/d increase in non-Opec oil supplies, to 29.3m b/d. This implies demand for Opec oil at 21.7m b/d, assuming no draw-down in stocks.

The IEA appears to expect a less drastic cut in total exports from the Soviet Union than many analysts, although the report says the data is limited. In the first nine months of the year, net exports from the socialist countries to the OECD fell by 160,000 b/d, although net exports to developing countries may have risen.

The IEA estimates only a 100,000 b/d decline in net exports from these countries in 1989, and uses a similar further decline in its calculations for this year.

'Cattle madness' research boost

By Bridget Bloom, Agriculture Correspondent

BRITAIN'S BUDGET for research into the "cattle madness" disease, bovine spongiform encephalopathy, is to be increased sixfold over the next three years, underlining widespread concern that the disease is insufficiently understood.

New research recommended by an expert committee and accepted by the Government in a three year, £6.1m programme is likely to include the use of bovine products in the cosmetic industry and in food for domestic pets, hounds, pigs and poultry

Hitherto research has concentrated on what government scientists have considered the most likely source of BSE, animal feed containing the remains of sheep suffering from scrapie, a brain disease not transferable to humans.

BSE, which has so far affected just over 9,000 cows, was first identified in 1986. It apparently exists only in the UK. Beef exports worth in total some £250m a year were endangered late last year when West Germany threatened to ban imports not certified as BSE-free.

Yesterday Mr Keith Meldrum, the Government's chief veterinary officer, said there was "no evidence whatsoever of a risk to human health" from BSE. He drew attention to measures designed to make sure that meat from BSE affected cows did not enter the food chain. These included a ban on the use of certain bovine offals as well as on the use of sheep remains in feed for cattle.

However the list of priority research now recommended includes closer surveillance of cases of the rare Creutzfeldt-Jakob disease, a human spongiform encephalopathy, deeper monitoring of the feeding of cattle and other animal species on possibly contaminated material, and controlled study of the possible transmission of BSE from cows to their calves.

The report recommends that the origin of the disease must be sought through laboratory testing, for which "several thousand mice" will be needed.

Consultative Committee on Research into Spongiform Encephalopathies. MAFF.

UK farm aid impact 'unknown'

By Bridget Bloom

ALTHOUGH BRITAIN'S farmers have received some £2bn in aid to improve their farm structures over the past decade, the Government is unable to measure the impact of the aid on farmers' income or efficiency, a report to Parliament maintains.

The National Audit Office, independent auditor of the Government's accounts, says farm productivity has undoubtedly risen as a result of the aid. However, officials "have not been able separately to measure or assess the impact of support on the structure and efficiency of British farming, on the level of farm incomes, on the maintenance of Less Favoured Areas, or the conservation of the countryside."

In a report published yesterday, the NAO is also critical of the way some projects have been financed and followed through. Farmers have had grants to control pollution from farm waste but the resultant work does not have to be inspected before the grants are paid, it says.

The NAO's report, one of the few in any member state specifically to question the impact of EC aid programmes, concentrates on capital and development grants known in EC jargon as structural aids.

Since 1980, nearly £1.6bn (£2.4bn at 1988 prices) have been spent on structural support to UK agriculture, about three quarters coming from the European Community and the remainder from Britain itself.

Recently, less aid has gone to increase production, with more being spent on environment-related projects, while the actual amounts spent have dropped in real terms to roughly a quarter of what they were ten years ago, the report says.

Grants can cover a wide range of activities, mainly though not exclusively in the agriculturally less favoured areas. The report notes that in those areas, there are up to 180 different schemes to assist the rural economy, though not all involve EC or other significant financial aid.

The NAO says that following Treasury insistence in 1985, a greater effort is now being made to evaluate new schemes, like the environmentally sensitive areas introduced in 1987. But on several new schemes targets have not been set and evaluation is patchy. It suggests for example, that for the new £50m programme to control farm pollution targets should be set in the form of a reduction in the number of pollution incidents recorded.

**Grants to Aid the Structure of Agriculture in Great Britain. HMSO £4.50*

Metals prices seen down, but not out in 1990

Supplies are likely to be in surplus, but stocks will stay low, reports Kenneth Gooding

BASE METALS prices this year are likely to continue the downward drift seen in 1989 but will not sink to the exceptionally low and unprofitable levels of the mid-1980s.

For the first time since 1981 all base metals markets will see a surplus of supply over demand this year but stocks will remain relatively low. So prices will go through periods of volatility sparked off by interruptions to supply.

This picture emerges from forecasts about the prospects for 1990 made by several London-based analysts.

Most of them expect base metals prices to be lower this year on average than in 1989 but they are roughly divided into those who suggest the fall will be of 10 per cent and others who say it will be of 20 per cent.

Analysts point out that prices for most base metals have been coming down from record – perhaps even excessive – levels and that some fall in prices might actually be desirable.

"Some weakness in prices should be welcome as this should deter some producers who have been encouraged to think about unnecessary expansion by two to three years of very high prices," says Mr Robin Bhar, an analyst with the W I Carr metals team.

Most forecasters expect demand for the important base metals to remain strong. Demand will level out in 1990 but will not fall back, they insist.

Production capacity utilisation remains high and most metals continue to be dogged by disruptions of all types.

These disruptions, which frequently cause prices to "spike" upwards on the metal exchanges, can no longer be considered extraneous events, says Mr Phillip Crowson, senior economic adviser to the RTZ Corporation, the world's largest mining group.

"They are fundamental influences which reflect the industry's experiences since the early 1970s. Weak cash flows in recession prevented necessary maintenance and modernisation and led to short term fixes of all types.

"The ravages of those years have yet to be remedied and the scope for further disruptions is consequently strong, whether in the form of labour disputes, mechanical failures, or civil unrest, even to the point of armed conflict. The industry has been plagued by all these during the last two years."

Mr Crowson is among those analysts who suggest that any further slide in base metals prices this year will be limited to about 10 per cent. He suggests it is reasonable to look for some easing of demand – particularly in North America, parts of Europe and even Japan – after the recent cyclical boost to demand.

But it should not be forgotten, he points out, that "demand for non-ferrous metals is being increasingly driven by the developing countries which collectively account for one-fifth to one quarter of total consumption."

The two previous bull markets in base metals – in 1974-75 and 1979-80 – ended with prices falling sharply and remaining depressed for years. Could history be repeating itself?

Between the end of December 1988 and last month the London Metal Exchange price of aluminium for immediate delivery fell by 36 per cent; that for copper was down by 19 per cent; nickel by nearly 54 per cent and zinc by 17 per cent. The tin contract was not reintroduced at the LME until June, but the end-December LME cash price was nearly 8 per cent below the European Free market quotation 12 months earlier.

Lead was the exception last year. It came late to the metals price boom which began in the dying months of 1987 and in 1989 registered a 13.5 per cent price rise.

None of the analysts questioned for this survey expected a repeat of the collapse seen in the two previous price cycles. "The economic environment is totally different. Even if the economic landing is more bumpy than expected the possibility of severe recession appears remote," say Mr Neil Buxton and Mr Jim Lennon, metals analysts for Shearson Lehman Hutton.

"The substitution and downsizing that was triggered off by the oil price hikes and depressed metal consumption has now run its course," they add. "Indeed, some metals have major growth markets and in some cases the intensity of metal usage is increasing."

The Shearson analysts say: "Although in most cases metal production has caught up with demand, stocks will be rebuilt from minimum levels and will remain historically low. This will help to provide a floor to prices and they will be comfortably above those that prevailed in the mid-1980s."

While most analysts expect all base metals prices to fall this year from the 1989 level, the Metals & Minerals Research Services consultancy organisation, suggests tin will be the exception and go up in price because world-wide stocks are critically low.

RTZ's Mr Crowson also suggests that tin and aluminium might possibly go up in price this year while lead might move sideways.

However, not many analysts would argue with the Economist Intelligence Unit's suggestion in its latest World Commodity Forecasts report that the average London Metal Exchange price for aluminium will this year fall by about 6 per cent from the 1989 level to $1,806 a tonne, while copper will drop by 24 per cent to 98 cents a lb.

Lead is predicted by the EIU to fall by only 5.2 per cent to 29.1 cents a lb; nickel by 38 per cent to $3.75 a lb; tin by 8.4 per cent to $3.60 a lb and zinc by 19 per cent to 63 cents a lb. If prices do fall to these levels, it by no means spells disaster for producers. As the James Capel mining team observes: "Base metals companies will continue to generate strong profits, strong cash flow, increase regular dividends and have sufficient reserves to diversify away from the cyclicality traditionally associated with these commodities. The continued strength in base metal prices, together with the companies' own lower cost bases, will ensure that earnings will not collapse even at lower metal prices."

British farmers 'lacking in business skills'

THE MAJORITY of farmers in Britain could prove to be seriously lacking in business skills and dangerously complacent about the future, a new study suggests, writes Bridget Bloom.

A pilot survey last year of some 450 farmers in Devon and Cornwall, sponsored by Lloyds Bank, concluded that "faced with radical changes in their business environment, many farmers are burying their heads in the sand, hoping problems will go away or be solved by someone else." The survey, conducted by the Agriculture Faculty of the Polytechnic South West, was designed to discover the extent and nature of business skills, training and advice possessed – and needed in future – by British farmers. It will be extended to other areas of the UK later.

About 1,000 farmers in Devon and Cornwall were sent postal questionnaires which yielded 451 "usable replies".

The business education of farmers "appears distinctly unimpressive" the survey report says.

Farming Change in Devon and Cornwall. £3 post free from Martyn Warren, Polytechnic South West, Newton Abbot, Devon.

Nickel price slide continues

By Kenneth Gooding, Mining Correspondent

NICKEL'S PRICE dropped sharply again on the London Metal Exchange yesterday. Nickel for immediate delivery has fallen in price by 7.5 per cent since the begining of 1990 and is less than half the level quoted in January last year.

Analysts suggest the market is signalling that nickel is moving into a substantial supply surplus and that producers have almost given up attempts to prevent the metal's downward plunge.

LME cash nickel was more than $8 a lb in January last year. At the begining of 1990 the price had dropped to $3.75 a lb. Yesterday the metal fell by another $162.50 a tonne to $7,662.50 a tonne, equivalent to $3.48 a lb.

Mr John Harris, an analyst with Rudolf Wolff, the commodities broker, suggests: "It is conceivable we will see nickel at $2.70 a lb at some point this year, possibly in the third quarter."

He points out, however, that most nickel producers are profitable at $2.50 a lb.

Nickel has been badly affected by a sharp cut in orders from the stainless steel producers who account for about 60 per cent of demand. Since April last year LME nickel prices have been falling and buyers have been anticipating that lower stainless steel prices will follow. This has led to a virtual collapse in nickel demand as stainless steel producers everywhere have de-stocked

In addition, there are signs that underlying demand for stainless steel is easing off in reaction to higher interest rates and a slowdown in world economic growth.

Mr Jim Lennon, an analyst with the Shearson Lehman Hutton metals team, estimates that, because of the drop in consumption by the stainless steel producers, nickel demand will drop by 4.5 per cent this year to 630,000 tonnes. Supply is predicted to advance by 3.7 per cent to 685,000 tonnes to give a surplus of 55,000 tonnes compared with an estimated 1,000 tonne surplus in 1989 and a 38,000 deficit in each of the two previous years.

Dutch fishermen win concessions

By Laura Raun in Amsterdam

ANGRY DUTCH fishermen have won their demands for more fishing days and concentrated catches after blockading the canal leading to the port of Amsterdam.

The Dutch Agriculture Ministry agreed on Monday night that cod fishermen could operate for five extra days this year and take 2,400 kg each week instead of 2,000 for the next three months. The fishermen explain that they can work more profitably by catching more fish on each trip even though the total cod quota, set by the European Commission in Brussels, remains unchanged.

The extra days will give them the opportunity to catch other species of fish not covered by Commission quotas.

The cod quota for all Dutch fishermen was cut by 17 per cent to 11,475 tonnes for this year from 13,840 in 1989, prompting about 50 fishermen to block the North Sea locks leading to the port of Amsterdam on Monday.

WEEKLY METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,650-1,700 (1,680-1,725).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 3.90-4.30 (4.00-4.40).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 5.00-5.20 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.55-7.70 (7.50-7.70).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 240-250 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.50-2.60.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse 5.50-6.10 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 42-61 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb VO, cif, 2.10-2.30 (same).

URANIUM: Nuexco exchange value, $ per lb, UO, 9.20 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

COPPER prices moved ahead on the LME yesterday, although dealers said the market appeared to have run into fairly stiff resistance at $2,500 a tonne. Analysts said the Comex March contract would probably need to breach 112.5 cents a lb before further short-term gains could be expected. Aluminium prices were slightly down; traders were looking for a test of support below $1,600 a tonne for three-month metal, but the stability of copper and some light European consumer demand cushioned the decline. Tin prices again advanced, on currency factors, short-covering and sporadic European offtake. Traders said consolidation of the three-month price around $7,100 could spark a recovery to the $7,300-a-tonne level last seen in November. On the bullion market gold eased in lacklustre trading.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$17.05-7.20w	
Brent Blend	$20.25-0.35w	+0.20
W.T.I (1 pm est)	$22.05-2.10w	+0.47
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$215-217	-9
Gas Oil	$188-189	-19
Heavy Fuel Oil	$100-102	-1
Naphtha	$185-187	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$403.75	-1.00
Silver (per troy oz)♣	525c	-4
Platinum (per troy oz)	$491.65	-0.10
Palladium (per troy oz)	$135.65	-0.10
Aluminium (free market)	$1605	
Copper (US Producer)	114⅝-117c	-1
Lead (US Producer)	39.5c	
Nickel (free market)	355c	-10
Tin (Kuala Lumpur market)	18.35r	+0.23
Tin (New York)	323c	+4
Zinc (US Prime Western)	70¾c	
Cattle (live weight)†	110.80p	-2.19*
Sheep (dead weight)†	201.21p	-10.8*
Pigs (live weight)†	72.99p	-9.64*
London daily sugar (raw)	$338.6t	-2.8
London daily sugar (white)	$409.5t	+2.0
Tate and Lyle export price	£318.5	-2.5
Barley (English feed)	£118.5	-0.5
Maize (US No. 3 yellow)	£129.5	-1.5
Wheat (US Dark Northern)	£132	
Rubber (spot)♥	53.25p	-0.25
Rubber (Feb)♥	55.75p	-0.25
Rubber (Mar)♥	56.25p	-0.25
Rubber (KL RSS No 1 Feb)	224m	
Coconut oil (Philippines)§	$447.5t	+12.5
Palm Oil (Malaysian)§	$285.0	+2.5
Copra (Philippines)§	$280	
Soyabeans (US)	£168v	
Cotton "A" Index	74.30c	-0.05
Wooltops (64s Super)	573p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct. x-Dec/Jan. t-Jan/Feb. v-Jan/Mar. w-Feb. z-Jan †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Mar	625	626	625 621
May	635	635	635 631
Jul	649	648	649 646
Sep	665	664	665 662
Dec	669	667	667 663
Mar	705	707	705 703
May	719	720	720 718

Turnover: 1940 (2220) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 8 742.80 (743.60):10 day average for Jan 9 735.12 (734.65)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Jan	626	636	635 620
Mar	648	656	655 644
May	661	667	666 656
Jul	675	680	676 670
Sep	693	699	695 689
Nov	711	718	713 710
Jan	734	739	730

Turnover: 2792 (3616) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 8: Comp. daily 64.29 (64.31). 15 day average 62.82 (62.68)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	318.00	311.80	318.00 310.80
May	318.40	312.60	318.00 312.00
Aug	315.00	309.20	314.80 308.40
Oct	309.00	303.80	306.40 303.00
Dec	307.00	301.80	300.00
Mar	290.00	286.40	287.00 286.00
White	**Close**	**Previous**	**High/Low**
Mar	411.50	404.00	404.50
May	409.00	402.00	408.00 403.00
Aug	412.00	405.00	411.00 405.00
Oct	387.00	380.00	387.00 379.50
Dec	366.00	360.50	365.50 359.60
Mar	364.00	359.50	360.00 358.50

Turnover: Raw 2477 (3863) lots of 50 tonnes. White 1956 (2679)
Paris- White (FFr per tonne): Mar 2359, May 2350, Aug 2400, Oct 2250, Dec 2150, Mar 2150.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Feb	20.14	20.55	20.20 18.38
Mar	19.28	19.60	19.40 18.70
Apr	18.76	19.22	18.85 18.39
IPE Index	20.66	21.79	

Turnover: 11002 (9488)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jan	190.25	208.00	205.50 187.00
Feb	184.00	191.75	190.00 180.00
Mar	174.75	175.00	178.00 169.00
Apr	167.00	167.00	169.00 163.00
May	164.25	165.00	165.00 162.75
Jun	162.50	165.00	164.00 162.00

Turnover 10209 (10393) lots of 100 tonnes

JUTE

C and f Dundee BTC $615, BWC $615, BTD $580, BWD $580; c and f Antwerp BTC $600, BWC $590, BTD $565, BWD $555.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 7,150 tonne
Cash	1607-9	1609-11	1608/1607	1607-8		
3 months	1611-2	1612-4	1615/1609	1610-1	1611-2	34,162 lots
Copper, Grade A (£ per tonne)						Ring turnover 24,675 tonne
Cash	1547-9	1531-2	1546/1545	1546-7		
3 months	1538.5-9	1525-6	1540/1532	1538.5-9.5	1533-4	65,943 lots
Lead (£ per tonne)						Ring turnover 8,725 tonne
Cash	444-6	438-9	450	449-50		
3 months	435-6	428-9	439/435	438.5-9	434-5	10,098 lots
Nickel ($ per tonne)						Ring turnover 1,194 tonne
Cash	7625-700	7800-50		7900-10		
3 months	7475-80	7610-50	7600/7425	7455-75	7450-90	6,346 lots
Tin ($ per tonne)						Ring turnover 490 tonne
Cash	7010-30	6890-910	7030/6970	6970-80		
3 months	7115-20	7025-30	7130/7040	7075-100	7110-30	5,449 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 14,375 tonne
Cash	1350-60	1335-45	1362/1360	1360-2		
3 months	1303-5	1288-90	1315/1303	1312-5	1305-10	15,457 lots
Zinc ($ per tonne)						Ring turnover 4,400 tonne
Cash	1345-55	1330-40		1345-55		
March 30	1285-95	1270-80		1285-95		1,380 lots

LME Closing £/$ rate: SPOT: 1.6540 3 months: 1.6276 6 months: 1.6010 9 months: 1.5804

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Feb	140.0	136.0	140.0
Apr	198.5	201.0	200.0 198.0
May	222.5	226.5	223.5 222.0

Turnover 220 (136) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low
Feb	138.50	139.00	
Apr	139.00	138.50	139.00
Jun	137.00	136.00	

Turnover 150 (32) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Jan	1682	1682	1685 1678
Feb	1693	1696	1700 1690
Apr	1698	1703	1703 1696
Jul	1437	1440	1437 1435
Oct	1540	1585	1530
BFI	1644	1637	

Turnover 563 (474)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Jan	113.80	113.50	113.60 113.60
Mar	117.30	117.00	117.30 116.90
May	121.15	120.75	121.00 120.65
Jun	122.70	122.40	
Barley	**Close**	**Previous**	**High/Low**
Jan	111.00	111.40	111.00
Mar	112.85	113.15	113.00 112.85
May	114.90	115.25	115.20 115.00

Turnover: Wheat 118 (311), Barley 36 (20). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Feb	105.5	106.5	106.0
Apr	107.0	107.5	
Jun	106.8	108.0	

Turnover 36 (108) lots of 3,250 kg

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	403½-404	243¾-244¼
Opening	403-403½	243½-244
Morning fix	402.7	243.03
Afternoon fix	403.45	243.778
Day's high	403¾-404¼	
Day's low	402-402½	
Coins	**$ price**	**£ equivalent**
Mapleleaf	412-417	249-252
Britannia	412-417	249-252
US Eagle	412-417	249-252
Angel	413½-418½	250-253
Krugerrand	402-405	243-245
New Sov.	95-97	57½-58½
Old Sov.	95-97	57½-58½
Noble Plat	497.55-505.45	300.65-305.4

Silver fix	p/fine oz	US cts equiv
Spot	317.20	524.80
3 months	329.00	535.70
6 months	340.65	546.30
12 months	364.00	569.50

TRADED OPTIONS

Aluminium (99.7%)	Calls Mar	Calls May	Puts Mar	Puts May
Strike price $ tonne				
1500	118	121	7	17
1600	48	[illegible]	35	52
1700	13	23	98	113
Copper (Grade A)	**Calls**		**Puts**	
2400	152	144	41	90
2500	94	97	81	140
2600	53	63	138	202
Coffee	**Mar**	**May**	**Mar**	**May**
600	56	71	8	11
650	25	39	27	29
700	7	25	59	65
Cocoa	**Mar**	**May**	**Mar**	**May**
600	38	57	14	22
650	14	31	40	46
700		15		80
Brent Crude	**Mar**	**Apr**	**Mar**	**Apr**
1900	85		53	
1950	55		75	
2000	34		108	

US MARKETS

TWO-SIDED trading was featured in gold, silver and platinum futures, reports Drexel Burnham Lambert. Gold and platinum rose slightly while silver eased. Copper was down after technical action. In the softs prices rose in all markets. Sugar gained 27 basis March on mostly commission house and local buying. Speculative and trade buying lifted the coffee 146 basis March. Late day fund action pushed cocoa up as well. The grains remained slow. Wheat prices were lower due to some scattered profit-taking. March wheat closed at 406¾. The livestocks had consolidation in the belly and hog markets after their recent volitile sessions. Cattle futures continued to have light volume. Long liquidation weakened the orange juice futures, while cotton trading had mostly local activity. The energy complex had large ranges in most of the markets. Prices fell early in the day on carryover selling from Monday, but rebounded to close up in all markets.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	404.2	403.0	0	0
Feb	406.2	405.0	406.5	404.3
Mar	408.4	407.2	0	0
Apr	411.2	410.0	411.4	409.2
Jun	416.1	414.9	416.2	414.3
Aug	420.7	419.5	420.0	418.5
Oct	425.5	424.3	0	0
Dec	430.4	429.2	430.2	428.5
Feb	435.5	434.3	435.3	435.0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	488.9	485.1	489.5	487.0
Apr	497.4	492.2	498.0	494.5
Jul	504.2	499.2	504.2	501.5
Oct	512.1	507.2	510.0	510.0
Jan	520.1	515.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	523.4	524.4	0	0
Feb	525.7	526.9	0	0
Mar	529.8	531.0	532.5	526.5
May	537.8	539.1	540.5	535.0
Jul	545.8	547.0	548.0	543.5
Sep	553.7	555.2	557.5	552.5
Dec	565.0	566.5	567.0	564.0
Jan	568.5	570.1	0	0
Mar	576.7	578.3	578.0	575.0
May	584.5	588.2	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 8	Jan 5	mnth ago	yr ago
1813.4	1821.4	1808.3	1888.7

DOW JONES (Base: Dec. 31 1974 = 100)

	Jan 8	Jan 5	mnth ago	yr ago
Spot	127.83	126.36	127.06	142.19
Futures	130.70	130.50	129.39	144.47

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	110.80	111.95	112.80	110.80
Feb	110.70	111.80	110.70	110.70
Mar	110.20	111.35	112.50	110.00
Apr	108.85	109.90	110.50	110.50
May	108.05	109.10	110.00	108.00
Jun	107.05	108.00	108.30	108.20
Jul	106.05	107.00	107.95	106.30
Aug	105.05	106.00	106.00	106.00
Sep	104.05	105.00	106.45	104.60
Oct	103.60	104.55	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	21.83	21.62	22.12	21.48
Mar	21.10	21.03	21.37	20.90
Apr	20.64	20.61	20.90	20.48
May	20.29	20.26	20.55	20.15
Jun	19.96	19.91	20.30	19.85
Jul	19.73	19.60	19.92	19.66
Aug	19.42	19.34	19.65	19.25
Sep	19.35	19.14	19.35	19.27
Oct	19.22	19.00	19.22	19.19
Nov	19.08	18.91	19.19	19.08

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	6415	6433	6680	6400
Mar	5920	5940	6100	5920
Apr	5580	5612	5700	5570
May	5415	5405	5475	5410
Aug	5365	5290	5365	5365

COCOA 10 tonnes; $/tonnes

	Close	Previous	High/Low	
Mar	957	940	959	937
May	950	940	954	936
Jul	964	952	965	950
Sep	980	970	973	967
Dec	1003	995	1005	994
Mar	1021	1013	1019	1011
May	1032	1026	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	82.84	81.38	83.00	80.40
May	84.61	83.25	84.80	82.55
Jul	86.40	85.24	86.70	84.65
Sep	88.55	87.18	88.60	86.75
Dec	91.40	89.80	91.45	89.50
Mar	93.63	92.25	94.00	94.00
May	95.75	94.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	14.33	14.06	14.34	14.04
May	14.30	14.10	14.30	14.06
Jul	14.09	13.93	14.09	13.88
Oct	13.84	13.69	13.85	13.62
Mar	13.23	13.10	13.24	13.05
May	13.14	13.03	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	66.63	66.40	67.19	66.48
May	67.43	67.18	67.90	67.20
Jul	67.49	67.15	67.80	67.25
Oct	64.90	64.70	65.14	64.85
Dec	63.52	63.21	63.90	63.50
Mar	64.20	64.00	0	0
May	64.80	64.60	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	189.20	192.90	196.50	188.25
Mar	187.80	182.60	187.60	187.60
May	188.35	183.35	188.35	188.35
Jul	188.50	183.50	188.50	188.50
Sep	187.50	182.50	187.50	187.50
Nov	183.60	178.60	183.60	183.60
Jan	177.50	172.50	177.50	177.50
Mar	177.50	172.50	0	0
May	177.50	172.50	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	570/4	570/6	571/6	569/2
Mar	582/6	583/4	584/4	581/4
May	596/2	596/2	597/6	594/4
Jul	608/0	607/6	609/4	606/2
Aug	611/4	611/0	612/0	610/0
Sep	611/2	610/0	612/4	610/0
Nov	618/2	616/6	620/0	616/0
Jan	628/2	626/4	629/4	626/2

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	19.25	19.26	19.30	19.08
Mar	19.63	19.64	19.70	19.47
May	20.02	20.01	20.07	19.85
Jul	20.30	20.32	20.35	20.12
Aug	20.32	20.25	20.40	20.25
Sep	20.36	20.25	20.50	20.30
Oct	20.40	20.35	20.55	20.40
Dec	20.52	20.55	20.66	20.50

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	179.0	179.3	179.7	178.7
Mar	179.4	179.9	180.2	179.2
May	179.7	180.3	180.5	179.7
Jul	181.9	182.5	182.5	181.9
Aug	182.9	183.2	183.3	182.9
Sep	184.0	184.5	184.5	183.9
Oct	184.8	185.0	186.5	184.8
Dec	187.0	187.0	187.5	187.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	238/6	239/0	239/0	238/0
May	244/6	245/0	245/0	244/2
Jul	249/4	249/4	249/4	248/6
Sep	249/0	248/6	249/4	247/6
Dec	248/0	249/0	248/6	247/2
Mar	254/6	255/0	254/6	253/2
May	259/0	260/0	259/4	258/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	406/6	410/0	409/0	406/2
May	386/2	389/2	388/0	385/2
Jul	359/4	361/4	360/4	359/0
Sep	365/2	367/0	366/4	364/4
Dec	375/6	377/4	376/4	375/6
Mar	381/0	382/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	76.47	76.67	76.67	76.32
Apr	75.47	75.62	75.60	75.30
Jun	71.65	71.85	71.87	71.60
Aug	71.27	71.47	71.45	71.25
Oct	71.42	71.52	71.55	71.37
Dec	72.40	72.55	72.55	72.40

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	51.30	51.62	51.65	51.15
Apr	48.32	48.42	48.60	48.12
Jun	52.40	52.47	52.55	52.10
Jul	52.60	52.77	52.75	52.30
Aug	51.17	51.07	51.40	51.00
Oct	46.20	46.37	46.50	46.05
Dec	47.60	47.60	47.65	47.50

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	55.80	55.47	56.35	54.65
Mar	55.70	55.40	56.45	54.90
May	56.70	55.80	57.25	55.60
Jul	57.05	56.42	57.60	56.00
Aug	55.52	55.12	55.95	54.00
Feb	56.05	55.95	56.50	56.00
Mar	55.70	55.65	55.70	0

LONDON STOCK EXCHANGE

Steady close to an erratic session

UK STOCKS remained reluctant yesterday to follow the better trend of some other overseas markets as a higher pound continued to discourage the export stocks and the latest statistics confirmed the slowdown in profits among British companies.

Turnover was relatively high, but the lack of buying enthusiasm among institutional fund managers left share prices to move erratically within narrow limits before closing with unimpressive gains.

Hints of impending corporate activity involving leading blue chip names kept the market on the alert. Suggestions that a large rights issue was in the pipeline continued to circulate; attention switched from British Aerospace to Unilever, with some analysts believing that the UK food group plans an acquisition in the US.

Account Dealing Dates		
*First Dealings:		
Dec 27	Jan 15	Jan 29
Option Declarations:		
Jan 11	Jan 25	Feb 8
Last Dealings:		
Jan 12	Jan 26	Feb 9
Account Day:		
Jan 22	Feb 5	Feb 19

*New time dealings may take place from 9.00 am two business days earlier

Equities opened sluggishly despite Wall Street's overnight firmness and, after a small (£25m) buy programme had wound its way through the market, sagged off to show a fall of nearly 11 Footsie points. The picture then brightened, largely because of a sharp rise in ICI, to show a net gain of 6.5 – but only until Wall Street opened uncertainly.

For the final couple of hours the mood in London followed New York's initial uncertainty. The final reading showed the FT-SE Index at 2,436.3, a net rise on the day of 5.0. Dealers were unimpressed by the day's business, despite a Seaq volume total of 563.7m shares suggesting significant profit-taking after the rise achieved over the Christmas period.

Wild suggestions that ICI may be a target for a takeover bid were not widely believed but the rise in the shares of Britain's premier chemical group reflected renewed belief that ICI is about to divest itself of its near 25 per cent stake in Enterprise Oil.

Official data disclosing a less than optimistic trading performance by UK companies during the third quarter of last year was received bearishly in the stock market. "It shows the precarious state of the corporate sector, and there is more bad news to come," was the view of the strategy team at County NatWest. The deterioration in UK company profits may impose further pressures to rebuild balance sheets by rights issues, according to some analysts; the alternative would be for companies to continue destocking and reduce their investment. None of these alternatives would help the equity market in the near term.

These prospects have contributed to the slower pace of the London equity market over the past couple of trading sessions.

"A period of consolidation may now be in prospect for world markets, with the UK market vulnerable over the next three months," said one leading UK securities house.

FINANCIAL TIMES STOCK INDICES

	Jan 9	Jan 8	Jan 5	Jan 4	Jan 3	Year Ago	1989/90 High	1989/90 Low	Since Compilation High	Since Compilation Low
Government Secs	83.37	83.56	84.10	84.20	84.16	87.18	89.29 (8/2/89)	82.93 (4/12/89)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	92.83	92.91	92.71	92.59	92.84	96.36	99.59 (15/3/89)	92.02 (8/12/89)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1956.5	1945.0	1948.8	1957.3	1969.3	1503.5	2008.6 (5/9/89)	1447.8 (3/1/89)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	316.1	315.6	306.4	298.7	308.9	164.2	317.8 (13/12/89)	154.7 (17/2/89)	734.7 (15/2/83)	43.5 (25/10/71)
FT-SE 100 Share	2436.3	2431.3	2444.5	2451.8	2463.7	1836.0	2463.7 (3/1/90)	1782.8 (3/1/89)	2463.7 (3/1/90)	986.9 (23/7/84)

	Jan 9	Jan 8	Jan 5	Jan 4	Jan 3	Year Ago
Ord. Div. Yield	4.38	4.39	4.38	4.38	4.34	4.87
Earning Yld %(full)	10.63	10.71	10.67	10.62	10.60	12.22
P/E Ratio(Net)(☆)	11.39	11.30	11.35	11.39	11.42	9.89
SEAQ Bargains(5pm)	30,788	34,211	41,257	51,336	44,222	28,333
Equity Turnover(£m)†	-	752.77	1013.53	1408.02	1048.63	1229.32
Equity Bargains†	-	35,457	44,161	53,890	44,088	31,786
Shares Traded (ml)†	-	315.6	407.8	585.8	490.2	479.2

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 11.34

Ordinary Share Index, Hourly changes — Day's High 1958.5 — Day's Low 1938.4

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1944.6	1940.4	1943.3	1947.9	1951.8	1951.2	1954.7	1952.7

FT-SE, Hourly changes — Day's High 2437.8 — Day's Low 2420.5

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2429.1	2422.8	2425.6	2430.8	2433.3	2433.4	2436.5	2432.8

GILT EDGED ACTIVITY

Indices*	Jan 8	Jan 5
Gilt Edged Bargains	85.3	84.9
5–Day average	78.4	69.7

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request.
London report and latest Share Index: Tel. 0898 123001.

Reuters back in favour

Reuters reversed Monday's weakness, climbing 28 at one point before settling a net 21 better at 1056p. Volume was strong for the stock at 1.8m shares traded.

Dealers said initially that a buy note from a Japanese securities house was behind the move. They then suggested that analysts at S G Warburg were visiting the company. Warburg denied this, but acknowledged it had published a reiteration of its positive stance on the company.

Warburg said that the stock was largely traded in New York and that US company valuations depended more on cashflow than in the UK. It added that the traditional way of forecasting the profitability of Reuters' global electronic network was to count the number of terminals attached. This link, it commented, was becoming less reliable as the network found more applications in the transmission of information.

Aerospace bounce

British Aerospace bounced 4 to 574p as the company was quoted as denying it was about to make a rights issue, thus removing the market's chief worry over the near-term outlook for the shares. At an upbeat presentation at Kitcat & Aitken, the UK securities firm, the company said it would "not be making a rights issue this year or next year."

Sentiment towards the stock was also helped by the news that the company is about to sign a deal to sell 120 Hawk trainer/ground attack fighter aircraft to South Korea.

Marketmakers, however, remained concerned about the effects of the strike at company plants by members of the UK engineering union, particularly as Airbus Industrie has warned that the strike could cut all Airbus output within days. Worries over the profitability of Rover Group also remained.

C & W stumbles

A flurry of selling pressure in Cable & Wireless was inspired by a profits downgrading and "sell into strength" recommendation from Hoare Govett, until now one of C & W's keenest supporters.

Mr Robert Pringle, of the Hoare electronics team, cut his forecast of pre-tax profits for the current year from £517m to £513m, equivalent to a cut in earnings per share from 30.7p to 30.4p and for 1990-91 from £635m to £617m, equivalent to earnings per share of 35.2p against a previous figure of 36p.

He said the downgrade came as a result of the fall in the Hong Kong dollar, which is linked to the US dollar and has weakened substantially against sterling during the past six weeks. He said C & W derived around 80 per cent of its pre-tax profits from Hong Kong and other dollar-related areas. There was also the possibility that the influence of the review of the UK telecommunications infrastructure by Oftel, the telecommunication regulatory body, which could mean the end of domination by C & W unit Mercury, and British Telecom, would increase in coming months.

C & W shares were sold down to 569p at one point yesterday, before steadying and eventually ending the session a net 12 lower at 571p. Turnover was up on usual levels at 3.9m shares.

Eurotunnel initially continued Monday's downward trend. But hopes of progress in refinancing talks between the company and the backers of the Channel tunnel project flushed out buyers in Paris, where Eurotunnel shares are also quoted. The rise there was quickly reflected in London and the shares closed 20 higher at 683p.

There was a sprinkling of gains in the water stocks with Welsh Water leading the sector and closing 4 up at 162p, on good turnover of 2.5m shares, after the company unveiled better than expected interim results. Welsh made profits of £18.4m with some analysts said to have been expecting the group to record a small loss. Anglian edged up 2 to 163p on 2.2m after revealing interim profits of £28.6m. The biggest turnover, 3.4m, was in Thames which put on a similar amount to 160p. The Water Package rose 8 points to £1608.

Another downgrading of Burmah, this time from BZW, which cut its forecast of net income for 1989 by 6 per cent to £90m and for 1990 by 8 per cent to £97m, triggered more keen interest in Burmah shares which BZW said were around 10 per cent too high. Sold down to 860p early in the session, the shares then rallied, eventually closing a net 3 firmer at 868p, with turnover reaching 629,000.

LASMO edged up 2 to 584p on 1.5m, against the overall trend after an upgrading of reserves, but a revival of the story that ICI was about to place its near 25 per cent stake in Enterprise saw the latter dip to 650p, before closing only 4 easier at 655p on 870,000 shares. Ultramar, a good performer over the past few days, held at 376p with stories in the market suggesting there could be more bullish circulars on the stock soon.

Brewery stocks advanced across the board in an effort to make up lost ground after being left behind in last week's record-breaking run in the rest of the market. Whitbread led the way, helped by a presentation yesterday to institutional investors. The "A" shares climbed to 428p before settling at 425p, still an improvement of 10 on the day.

Analysts at Hoare Govett upgraded their forecast of profits from Guinness by £10m to £665m for the year just ended. Hoare identified improving US margins as an important contributor to the change. The shares added 8 at 668p helped by the repayment of $100m invested in a limited partnership investment fund run by Mr Ivan Boesky, the jailed former Wall Street arbitrageur, and the fading of speculation that Guinness might bid for Wainford Glass.

Other brewers to perform particularly well included Allied Lyons and Bass, both finishing at the day's best, 8 up at 511p and 16 better at 1058p respectively. Grand Metropolitan, still helped by hopes of a breweries-for-pubs swap with Elders IXL, firmed another 11 to 658p.

Storehouse advanced rapidly in late trading to close 6 better at 123p up 5p. Some dealers suggested Mr Asher Edelman, the US arbitrageur, had been adding to his 6.68 per cent stake in the company. Unspectacular turnover of 1.6m shares seemed to belie this suggestion, although dealers countered that Mr Edelman might have acquired the stock by exercising share options. Storehouse was the second busiest contract on the traded options market, where the equivalent of more than 1.7m shares changed hands.

Light US buying helped Cadbury Schweppes recover from early weakness to finish a net 3 dearer at 367p.

Dealers reported unusually heavy trade in the normally tightly held Hazlewood Foods. The business was in both directions with the buyers getting the upper hand by the end of the day as the shares closed 2 better at 242p.

Amersham gave up 9 to 383p as talk of a bid faded, while Laporte firmed 2 to 502p ahead of a presentation to investors tomorrow.

Stories that Hanson might bid for ICI emanated from the Traded Options market early in the day. They provoked disparaging comments from equity dealers but ICI nevertheless advanced strongly to 1198p, a rise of 18. Mr Tony Cox at Kleinwort Benson reflected the views of many in the market, saying: "While the financial attractions exist, the political obstacles would be formidable."

The insurance sectors of the market experienced a difficult session with composites given an uncomfortable ride after profits downgradings by two of the most influential securities houses, S G Warburg and BZW.

BZW downgraded its 1989 forecast for Sun Alliance from £351m to £306m on the back of the damage wrought by the recent earthquake in Australia and also reflecting a poor second half in the UK which suffered badly from storm damage. Warburg lowered its forecasts for all the composites, reducing their expectation for Sun Alliance from £335m to £320m, that for General Accident from £175m to £171.5m, that for Guardian Royals from £177 to £172m and that for Royals from £155m to £150m. The Commercial Union forecast was shaved from £148m to £147m. Warburg cited the Australian earthquake as responsible for the cuts in their estimates.

Royal Insurance retreated 10 to 538p on turnover of 3m, while General Accident dipped 5 to 1173p on 1.1m, Guardian Royal the same amount to 250p on 2.2m and Sun Alliance lost 8 to 327p on 1.6m.

The life assurances were also under pressure after BZW suggested that clients with overweight positions move to anaverage weighting. BZW said the sector has "outperformed the market by 28 per cent since June last year," and that "unless another bid materialises, could go to sleep after the new business figures."

Legal & General, down 8 at 430p on turnover of 2.4m, and Prudential, 8 off at 224p on 5m, were the main casualties. Refuge, however, edged up to 721p before closing a net 4 higher at 719p on suspicions that Athena, the French insurance group, had been adding to its 10.2 per cent stake. Sun Life advanced 32 to 1310p in thin turnover of 80,000 shares amid talk that UAP may have picked up more stock to add to its 26 per cent stake.

ML Holdings continued to benefit from the sentiment that followed publication of its interim figures the previous day. The shares rose 6 to 128p.

IMI eased to 229p but later rallied as the company announced it had won a £4.6m contract to supply a cold storage system for dairy products. The shares eventually closed 3 down at 231p.

Transport Development ran back 5 to 231p after downgradings from securities houses. BZW, trimmed its profits forecasts for 1989 and 1990 by £5m to £40 for both years. Analysts at BZW said that company had suffered a very bad second half, adding that it was inlikely a bidder would emerge in the short term.

Bullish comment from BZW earlier in the week on Ocean Transport and Trading continued to help the shares. Dealers said that buying of this tightly held issue on the basis of that advice had left the market short of stock. The shares rose 9 to 358p

A fall of 4 to 226p in British Airways, and in good volume of 4.2m shares, was said to have been the result of US market stories that United Airlines might bid for Pan Am. British Airways transatlantic routes tie in with United's domestic US services as part of a close relationship between the two companies. The fear is that if United were to buy all or part of Pan Am it might loosen those links. But analysts said this was unlikely, not least because BA's transatlantic traffic was considered a better business.

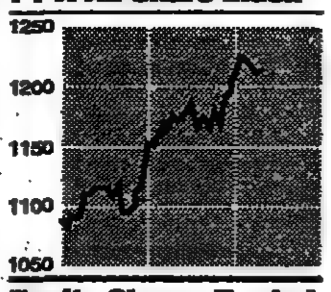
"Good domestic buying" was how one dealer described the trade in Rolls-Royce. The shares firmed 6 to 192p. Bullish press comment and continued talk that the company may soon become the target of a bid helped Lucas up 10 to 665p.

Profit takers were in evidence around Parkfield. after the company published interim figures in line with market. The shares retreated 9 to 509p, reversing early strength.

Profits more than doubled to £13.9m, though the market was not impressed with the £3.6m contribution from the sale of J and B Labone, a plumbing distribution business. Mr Dermot Colman at BZW said: "The medium term profits outlook remains encouraging but after the recent price rise and on a full market rating, the shares may be in for some consolidation in the short term."

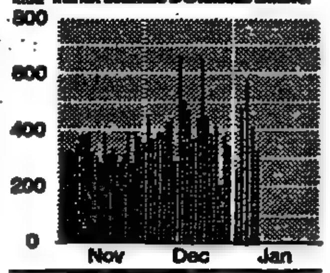
■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 27

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
AGT	380	201	-3	Comm. Union	330	501	-2	Lloyds Bank	2,350	453	+8	Sears	1,600	112½	+½
ASDA Group	4,100	125	+3	Cookson	2,100	284	-2	LASMO	1,500	584	+2	Sedgwick	725	308	-4
Abbey National	8,700	188	+4	Courtaulds	442	395		Lonrho	1,800	313	+1	Shell Transport	5,600	475	-2
Allied-Lyons	2,100	511	+8	Dalgety	1,200	400		Lucas	833	685	+10	Siebe	128	494	+3
Amstrad	1,600	61	-1	Dixons	1,000	140	+1	MB Group	600	215	+3	Slough Ests	52	329	+1
Argyll Group	7,000	208	+2	Eng. China Clays	486	471	-8	MEPC	375	541	-2	Smith (W.H.) A	139	352	+1
Ass. Brit. Foods	480	422	+3	Enterprise Oil	870	655	-4	Marks & Spencer	1,500	211	+1	Smith & Nephew	2,600	137	+½
BAA	804	382	-5	FKI	793	80		Maxwell Comm.	1,300	220	-2	SmKl Beecham	2,000	615	-5
BAT Inds.	2,700	841	+1	Ferranti	4,800	35	+3	Mecca Leisure	4,000	174	-1	SmKl Beecham Units	143	2726	+3
BET	3,800	283	-1	Fisons	2,200	341	+5	Midland Bank	2,000	384		Smiths Inds.	379	293	+2
BICC	281	480	+4	Gen. Accident	1,075	1173	-5	NatWest Bank	4,600	364	+7	Standard Chartd.	1,600	558	+1
BOC	2,200	885	-6	General Elect.	8,900	243	+4	Next	3,300	98	+2	Storehouse	1,900	123	+6
BPB Inds.	[illegible]	251	+1	Glaxo	1,900	803	+2	Northern Foods	301	327	+2	Sun Alliance	1,600	327	-8
BTR	1,900	464		Globe Inv.	1,400	198½	-½	Pearl	0	689		Sun Life	80	1310	+32
Barclays	1,200	579		Glynwed Int.	49	369		Pearson	98	754	-6	T&N	724	219	+1
Bass	1,440	1058	+16	Granada	394	350	+7	P & O	971	652	+14	TI Group	677	441	+4
Beazer	174	175	-1	Grand Met.	3,800	658	+11	Pilkington	1,700	240	-6	TSB	4,700	131	+2
Berisford Int.	53	143	-3	GUS A	110	1105	-2	Polly Peck Intl.	4,000	418	+2	Tarmac	1,800	257	+7
Blue Arrow	84	92½	-½	GRE	2,150	250	-5	Prudential	5,000	224	-8	Tate & Lyle	721	299	+1
Blue Circle	1,200	257	-3	GKN	580	480	+5	RHM	658	429	+1	Taylor Woodrow	989	325	+4
Boots	1,900	282	+1	Guinness	2,800	669	+8	RMC	175	737	+11	Tesco	3,200	194	-3
Brit. & Comm.	1,000	98	+2	Hammerson 'A'	24	838	-3	RTZ	1,200	583	-5	Thames Water	3,400	160	+2
Brit. Aerospace	2,200	574	+4	Hanson	[illegible]	234	+1	Racal	3,900	249	-3	THORN EMI	729	822	+19
British Airways	[illegible]	226	-3½	Hanson Warrants	624	61½	+½	Racal Telecom	385	403	+8	Trafalgar House	1,000	377	+2
British Gas	8,300	229½	-½	Harrisons Cros.	[illegible]	189		Rank Org.	347	871	-8	Trusthouse Forte	1,900	317	+5
British Land	290	380	-3	Hawker Sidd.	985	713	-2	Reckitt & Colman	141	1281	-6	Ultramar	1,100	376	
BP	1,700	336	-1	Hillsdown	2,300	292	+2	Redland	1,300	395	+2	Unigate	533	345	+4
British Steel	10,000	144½		IMI	158	231	-3	Reed Intl.	1,800	453	-2	Unilever	1,100	704	+2
British Telecom	6,400	301	+1	ICI	1,600	1198	+18	Reuters	1,800	1056	+21	United Biscuits	830	370	+6
Bunzl	213	115		Inchcape	406	305	+1	Rolls Royce	5,000	192	+6	Utd. Newspapers	68	469	-3
Burmah Oil	629	868	+3	Jaguar	2	849		Rothmans	129	885	-9	Wellcome	1,200	775	+3
Burton	1,000	219	-3	Kingfisher	328	305	-1	Ryl Bk Scotland	3,000	208	-1	Whitbread 'A'	2,300	425	+10
Cable & Wire.	3,800	571	-12	Ladbroke	3,200	345	+1	Royal Insurance	2,750	538	-10	Williams Hldgs.	129	285	-2
Cadburys	1,400	367	+3	Land Securities	1,500	529		STC	2,275	375	+8	Willis Faber	822	279	-4
Calor Group	288	382	-2	Laporte	270	502	+2	Saatchi	129	287	-4	Wimpey	1,100	288	+1
Carlton Comms.	579	809	+3	Legal & General	2,380	430	-8	Sainsbury	1,000	288	+3				
Coats Viyella	1,300	159	-3	Lloyds Abbey	1,100	331		Scottish & New.	3,000	387	+9				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

NEW HIGHS AND LOWS FOR 1989/90

NEW HIGHS (80).
BRITISH FUNDS (4) Treas. 3pc 90, Treas. 3pc 91, Treas. 2pc IL 94, Treas. 2pc IL 96, BANKS (3) Gerrard & Natl., King & Shaxson, Warburg (S.G.), BREWERS (1) Whitbread "A", BUILDINGS (1) CRH, CHEMICALS (3) BASF AG, Jeyes, STORES (1) Brown & Jackson, ELECTRICALS (2) ASEA AB "A", Do. "B", ENGINEERING (2) Davies & Met., Thyssen, INDUSTRIALS (12) Alfa-Laval AB "B", Amer. Bus. Sys., Astra AB, Barry Wehmiller, Boxmore, CRT Gp., ISS-Int Serv. Sys. B, Parkfield, Photo-Me, Proudfoot, Robertson Gp., Sthn. Bus. Gp., INSURANCE (3) Allianz, Legal & Gen., Refuge, Steel Burrill, Sturge, Sun Life, LEISURE (1) Clyvision, NEWSPAPERS (1) Blenheim Ex., PAPERS (2) Clondalkin Gp., More O'Ferr., SOUTH AFRICANS (1) SASOL, TEXTILES (1) Lamont, TRUSTS (14) Assoc. Henriques, Brit. Invest., Camellia Invs., Drayton Asia Tst., F&C Smaller Co's., Genesis Chile Fd., Greenfriar Wrnts., M&G Grp., Mercury Asset Mgmt., O'seas Inv Tst Wrrnts., Paribas French Inv. Tst., Sec. Alliance Tst., Second Mkt. Inv., Templeton Gbrth., OILS (4) Crossroads Oil, Kingston Oil & Gas, Premier Cons., Trident Petroleum, OVERSEAS TRADERS (1) GN Gt. Nordic, MINES (6) Free State Dev., Leslie, Pancontl., Rand Mine Props., S. African Land, Winkelhaak, THIRD MARKET (1) Glencar Expln.
NEW LOWS (28).
AMERICANS (1) Gen. Host, CANADIANS (4) Derlan Inds., ECO Corp., Muscocho, Nova Co of Alb., BANKS (3) Captl. Leasing, Saltaire Bk., Toyo Tst & Bkg., STORES (1) Sherwood, INDUSTRIALS (4) London Finance & Invs., Rock, Sale Tilney, Young (H), PAPERS (2) Bemrose, Lawson Mardon Gp., PROPERTY (1) Clayform Props., TRANSPORT (1) Cons. Freight., TRUSTS (2) London Am. Venture Tst., Singapore SESDAQ, OILS (1) Intl. Pet. Con., MINES (1) Emperor Mines, THIRD MARKET (1) Far East Res., Sempernova.

APPOINTMENTS

Senior changes at Jaguar

Mr John Grant, a Briton who until now has been holding a senior post with Ford in the US, is to become executive deputy chairman of JAGUAR, the UK luxury car maker bought by Ford for £1.6bn late last year, *writes John Griffiths.*

Mr Lindsey Halstead, chairman of Ford of Europe, is also joining the Jaguar board in a non-executive capacity.

Mr Grant is returning to the UK to take up his post as deputy to Sir John Egan immediately.

He has been executive director of Ford's Detroit-based corporate strategy and diversification planning staff.

Sir John, who has yet to clarify his own long-term position at Jaguar, said Mr Grant's main role would be to "assist in the development of a smooth working relationship between Ford and Jaguar, and to be responsible for the effective co-ordination of forward planning processes and Jaguar's access to Ford's technical and financial resources".

Northern Ireland-born Mr Grant was closely involved in the behind-the-scenes negotiations and manoeuverings which led to Ford's agreed bid for Jaguar against rivalry from General Motors.

He has also had extensive experience with Ford in the UK.

So while Ford is said to be anxious for Jaguar to develop its own business plans and strategies largely separate from Ford, the US parent is understood to have also felt it desirable that Jaguar should have a senior board member familiar with the workings of Ford and the ways in which its resources might be tapped.

■ Mr David Vevers, a main board member at Wolff Olins, has been elected to the executive board of THE LONDON PHILHARMONIC. He was, until last June, head of public affairs for Prudential Corporation, one of the orchestra's principal sponsors.

■ Mr Paul Brown has been appointed chairman of CONNELL residential division, and Mr Stephen Shipperley becomes chief executive. Both are on the main board. The appointments follow the retirement of Mr Eddie Moss.

■ WILLIS FABER & DUMAS has appointed Mr Richard Bucknall, Mr Mark Faber and Mr John Myers as directors.

■ E.W. PAYNE has appointed Mr Stuart Willoughby as client liaison and marketing director, claims department, non-marine division.

■ BOWTHORPE HOLDINGS has appointed Mr A.J. Boughtwood as managing director of Protimeter, Marlow. He was product manager, Schlumberger Instruments. Mr E.G. Gobert has resigned as deputy chairman of Protimeter and been appointed life president.

■ Mr Jack Jeffery has been elected chairman of the NORTH SURREY WATER COMPANY. He was general manager, and succeeds Mr Peter Davey.

■ The following have been appointed associate directors of LLOYD THOMPSON: Mr Paul Attfield, Mr Simon Gonzalez-Moreno, Mr Malcolm Graham-Taylor, Mr Barry Holmes, Mr Adrian Leonardi, Mr Jack Scoines and Mr Mark Shanahan.

■ Mr Anthony R. Burnip has been appointed reliability and supplier development director at VAUXHALL MOTORS, succeeding Mr Peter M. Johnson, who becomes director, operations planning, on the retirement of Mr Peter B. Bonner. Mr Burnip returns to Vauxhall after four years with GM Espana as works manager at the Zaragoza plant. Mr Johnson takes responsibility for the £50m Luton site redevelopment programme.

■ BRITISH GAS EASTERN has appointed Mr Allan Holland as personnel director. He was personnel controller at headquarters, and succeeds Mr John McLachlan who has become personnel director, British Gas Scotland.

■ Mr James Petit has joined CHARTWELL LAND DEVELOPMENTS as business space development director. He was an associate partner with Richard Ellis.

Following the retirement of Mr John Topping as chairman of TAYLOR WOODROW PROPERTY COMPANY, the property development and investment subsidiary of Taylor Woodrow, Mr Peter Hedges (above) has been appointed its chairman. Mr Hedges will also continue as managing director of the company, while Mr Topping has joined Mr Peter Drew as joint deputy chairman.

■ Mr Derek Tonkin, British Ambassador to Thailand 1986-89, has joined the board of THAI HOLDINGS, whose wholly-owned subsidiary, Thai Partners International, is stated to be the first London securities house to specialise in Thai securities.

■ BELLWINCH has appointed Mr Ron King as deputy chairman.

FT LAW REPORTS

Court leave required for aircraft detention

IN RE PARAMOUNT AIRWAYS LTD
Court of Appeal (Sir Nicolas Browne-Wilkinson, Vice-Chancellor, Lord Justice Woolf and Lord Justice Staughton): December 21 1989

AN AIRPORT'S statutory power to detain aircraft, including leased aircraft, pending payment of charges due from the operating company, is not exercisable without the court's leave if the operator is subject to an administration order and the administrators have not consented to the detention.

The Court of Appeal so held when dismissing an appeal by Bristol Airport plc and Birmingham International Airport plc, from Mr Justice Harman's decision refusing them leave to detain aircraft operated by Paramount Airways Ltd.

Section 11 of the Insolvency Act 1986 provides: "(3)During the period for which an administration order is in force – (a) no . . . order may be made for the winding-up of a company . . . (c) no other steps may be taken to enforce any security over the company's property . . . except with the consent of the administrator or the leave of the court . . . and (d) no other proceedings . . . may be commenced or continued, and no distress may be levied, against the company or its property, except with the consent of the administrator or the leave of the court . . ."

THE VICE-CHANCELLOR said that Paramount was a charter airline operating out of UK airports including Bristol and Birmingham.

On August 7 1989 it was insolvent. Its deficiency with regard to creditors was over £11m. Bristol was owed £1.2m and Birmingham £446,000. Both airports would have been unsecured creditors in a liquidation.

An administration order was made by the court on August 7 under section 8 of the Insolvency Act 1986, for the purpose of achieving Paramount's survival as a going concern. On that date Paramount was the licensed operator of aircraft leased under a sub-lease. After August 7 it continued trading. It flew over 3,000 passengers from UK airports, including Bristol and Birmingham.

All airport charges incurred during the administration were paid by the administrators. The debts now due to Bristol and Birmingham were those incurred prior to the making of the administration order.

By mid-October the administrators formed the view that there was a real prospect of sale of Paramount's business on terms beneficial to creditors. They called a creditors meeting for November 3.

On November 2 Paramount had aircraft at Bristol and Birmingham. Both airports became anxious that as the holiday season was coming to an end those aircraft might leave and not return. Bristol applied to the court *ex parte* for leave to detain two aircraft. Leave was granted over the hearing of an *inter partes* application.

On the same afternoon Birmingham, without obtaining leave, parked a lorry laden with concrete in front of a Paramount aircraft. At 6pm the captain was served with a "lien notice". At 8 pm Birmingham obtained *ex parte* leave to detain over the hearing of an *inter partes* application.

At the creditors' meeting on November 3 an offer for Paramount's business and assets was approved. The proposed sale was incapable of performance if the aircraft remained detained.

The airport's *inter partes* applications for leave to detain came before Mr Justice Harman on November 6. The respondents were the administrators and the lessors of the aircraft.

Section 88 (1) of the Civil Aviation Act 1982 provided that where default was made in payment of airport charges, the aerodrome might detain aircraft and sell them if the charges were not paid within 56 days.

The judge held that before exercising their statutory right to detain aircraft under section 88, the airports required leave of the court under section 11 of the Insolvency Act 1982. In the exercise of his discretion he refused leave. The airports now appealed.

The administration procedure introduced by the Insolvency Act 1985, now contained in Part II of the 1986 Act, was directed to remedying mischiefs identified by the *Cork Report* by which companies, through want of a procedure to restore their financial health, were forced into liquidation, though carrying on a potentially viable business.

Section 8 of the 1986 Act gave the court power to appoint an administrator if it considered the making of an order would be likely to achieve its survival as a going concern.

Section 11(3)(c) of the 1986 Act provided that while the administration order was in force, no steps might be taken "to enforce any security" over the company's property without the administrator's consent or leave of the court. Section 11(3)(d) provided that "no other proceedings" and no distress might be levied without such leave or consent.

The administrators contended that the exercise of the statutory right of detention under section 88 fell within either section 11(3)(c) as a step "taken to enforce any security"; or within section 11(3)(d) as the levying of a distress or "other proceedings".

The provisions of Part II of the 1986 Act coupled with the mischief identified in the *Cork Report* showed that the statutory purpose was to instal an administrator to carry on the company's business as a going concern. In construing Part II it was legitimate and necessary to bear the statutory object in mind, if the words permitted.

The first issue under section 11(3)(c) was whether the aircraft were Paramount's "property".

Mr Lightman for the airports submitted that aircraft held under chattel-leases were not "property", and that Paramount only had contractual rights.

"Property" was defined by section 436 as including "goods . . . and also obligations and every description of interest . . . arising out of, or incidental to property."

Paramount's interest under a lease of the aircraft was plainly property within that definition.

The second issue was whether the statutory right of detention was "a security over the company's property."

Section 248 of the 1986 Act defined "security" as including a "lien or other security."

Whether or not the statutory right of detention was strictly to be regarded as a "lien", it would certainly fall within the description of "other security". It conferred on the airport as creditor the right to detain and, with leave of the court, to sell the aircraft for the purpose of discharging debts. It was plainly a security.

The third issue was whether the exercise of the statutory right was a "step taken to enforce" a security.

Mr Lightman submitted that the overt act necessary to constitute the exercise of the statutory right (in this case the blocking of the aircraft or the service of notice of lien), was not a step to "enforce" the security, but a step to create or perfect it.

There was no legal reason why the same act should not have a dual effect as being perfection of security, and a step to enforce it. Plainly as a matter of commercial common sense detention of the aircraft did enforce the right of detention.

For those reasons leave of the court to exercise the statutory power of detention was required under section 11(3)(c). That decision did not apply to other rights of detention.

The primary ground of the judge's decision to refuse leave was that the airports were levying a distress within section 11(3)(d).

That was wrong. The statutory right to detain lacked one essential feature of distraint, namely, possession by the airport. It was a power to detain, not to seize and detain.

Also, the judge held that detention required leave as being "other proceedings against the company or its property."

That view was rejected. The natural meaning was that the proceedings were either legal or quasi-legal.

In exercising his discretion not to grant leave the judge took relevant factors into account, including that the detention would prevent realisation of the business as a going concern. He took no irrelevant factors into account other than a view that Birmingham might be in contempt in detaining the aircraft.

An airport ran no risk of being in contempt if, while it detained the aircraft, it made every effort to obtain leave. Birmingham was not in contempt if it was apprehensive that the aircraft was going to leave almost immediately before obtaining leave.

That factor made no difference to the exercise of the judge's discretion, since it applied only to Birmingham.

His decision was correct. The appeal was dismissed.

Lord Justice Woolf and Lord Justice Staughton gave concurring judgments.

For the airports: Gavin Lightman QC and Simon Mortimore (Evershed Wells & Hind).
For the administrators: Michael Crystal QC and Mark Phillips (Wilde Sapte).
For the lessors: Robert Webb QC, Michael Crane and Gregory Hill (Beaumont & Son, Piper Smith & Bashum).

Rachel Davies
Barrister

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AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
[illegible]						

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGE
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ✠ - 0001 to 1100 hours; ‡ - 1101 to 1400 hours; ▲ - 1401 to 1700 hours; ◆ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. [illegible]

مكتبة الأصل

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OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4BE 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Balanced Gwth Mngd.	627.0	660.8	−0.3	−
Adventurous Mngd.	138.5	146.0	..	−
[illegible]	111.2	117.2	+0.1	−
Cash Fd	[illegible]	257.8	.	−
Property Fund	301.4	317.6	.	−
Equity Fund	717.1	755.7	−0.4	−
Fxd. Int. Fund	295.2	311.1	+0.1	−
International	341.9	363.8	−0.7	−
High Income	469.4	499.4	+0.1	−
Far East	468.4	498.4	+0.3	−
North American	294.2	313.0	−0.3	−
Special Sits	649.8	691.3	+0.5	−
Technology	268.1	285.3	−0.3	−
Extra Inc Fd	282.5	300.6	+0.8	−
Convertible & Gilt Fd	154.0	163.9	+1.1	−
American Income	137.0	145.8	−0.4	−
Gilt Fund 20	302.7	322.1	−1.6	−
European Fund	120.6	128.3	+0.1	−
Pref & Fixed Int.	96.5	101.7	+0.1	−
Equity Income Dist.	101.9	107.4	+0.1	−
Managed Dist.	99.8	105.2		−
Pension Funds				
Balncd Gth Mgd Pens Acc.	603.5	635.3	[illegible]	−
Adventurous Mgd Pens Acc.	132.1	139.1		−
Secure Mngd Pens Acc.	110.5	116.4	+0.3	−
Building Soc. Acc.	260.3	274.0	..	−
Property Pens Acc.	308.6	324.9		−
Fix Int. Pens Acc.	419.4	441.5	+0.5	−
Equity Pens Acc.	797.5	839.5	+0.1	−
International Pens Acc.	322.3	339.3	−0.7	−
High Inc Pens Acc.	507.9	534.7	+2.4	−
Tech Pens Acc.	172.5	181.6	−0.2	−
[illegible]	200.6	211.2	−0.3	−
Far Eastern Pens Acc.	460.7	485.0	+0.3	−
Special Sits Pens Acc.	530.4	558.4	+0.4	−
Extra Income Pens Fd	339.8	357.7	+0.9	−
Convertible & Gilt Pen	169.2	178.2	+1.6	−
American Inc Pens	149.3	157.2	−0.6	−
European Pens	130.6	137.5	[illegible]	−
Managed Cash Pens.	119.7	126.1		−
Pref & Fixed Pens.	99.2	104.5	+0.1	−

Royal Heritage Life Assurance Ltd

20 Clifton St. EC2A 4HX 01-920 0202/0733 262524

	Bid Price	Offer Price	+ or −	Yield Gross
Multi Gwth.		508.75	....	−
Multi Gwth "A"	[illegible]	535.5		−
Op Prop.	416.7	438.7	−11.7	−
Op Equity.	768.7	809.2	−1.6	−
Op High Yld	353.8	372.5	−0.4	−
Op Man	599.0	630.6	−3.0	−
Op Dep	287.8	303.0		14.75
Op Inc Dist	202.6	[illegible]	−0.7	7.67
Op Itn Man	342.8	360.9	−3.4	−
Op Emerging Co's	296.7	312.4	−0.4	−
Pension Funds—Series B & C Acc.				
Property	753.1	792.8	+0.1	−
Equity	1978.2	2082.4	−2.9	−
Fixed Interest.	644.9	678.9	−0.4	−
Managed.	1055.4	1111.0	−2.9	−
Deposit.	557.2	586.6	..	14.19
Gartmore Global	197.8	208.3	−2.9	−
Gartmore NA.	97.0	102.2	−1.3	−
Gartmore Pacific.	258.5	272.2	−2.7	−
Henderson Acc	202.8	213.5	−0.8	−
Perpetual Mng	207.2	218.2	[illegible]	−
Framlington Mng.	193.5	[illegible]	−0.6	−
Gartmore Pen Mngd	199.5	210.0	−0.3	−
Gartmore Pen Euro.	[illegible]	166.5	−0.6	−
[illegible]	126.1	132.8	...	−
Suffolk Cap Pen Fd	116.7	122.9	.	−
IMC Pen SB Ser B	95.0	100.0	.....	−
Pension Funds—Series D				
Property	191.5	191.5		−
Equity	132.5	132.5	−0.2	−
Fixed Interest.	158.5	158.5	−0.1	−
Managed.	133.8	133.8	−0.3	−
Deposit.	163.8	163.8	..	−
Gartmore Global	124.3	124.3	−1.8	−
Gartmore NA.	110.0	110.0	−1.4	−
Gartmore Pacific	135.8	135.8	−1.3	−
[illegible]	150.0	150.0	−0.5	−
Perpetual Mng	151.4	151.4	−1.5	−
Framlington Mng.	154.6	154.6	−0.4	−
Gartmore Pen Mngd	164.0	164.0	−0.2	−
Gartmore Pen Euro	120.9	120.9	−0.5	−
Knightsbridge DIS Pen.	106.2	106.2		−
Ark Euro Pen	164.6	164.6		−

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

JERSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99¾	98¼	Exch 11pc 1990‡‡	99¾xd	.....	11.03	14.69
101½	99½	Exch. 12½pc 1990	99½	.....	12.56	14.69
97½	91½	Treas. 3pc 1990	97¼	+⅛	3.08	11.60
97½	95⅝	Treas 8¼pc 1987–90‡‡	97¾	–⅛	8.44	13.85
98½	95¼	Treas. 8pc Cv 1990 ‡‡	97½xd	+⅛	8.22	13.70
98¼	96½	Treas. 10pcCv 1990	96½	–⅛	10.31	14.14
93½	87½	Exch 2½pc 1990	93¼	–⅛	2.68	10.79
101½	98½	Treas 11¾pc 1991	98⅛	–⅛	11.96	13.68
93¼	89⅛	Funding 5¾pc '87–91‡‡	93⅛	–⅛	6.17	11.78
90½	86½	Treas. 3pc 1991	90⅝	–⅛	3.30	10.55
100½	95½	Treas 10pc Cv '91 ‡‡	96xd	–⅛	10.42	13.07
101½	96½	Exch. 11pc 1991	97½	–⅛	11.33	12.66
94⅞	91½	Treas. 8pc 1991	92½	–⅛	8.73	12.36
106½	100¾	Treas 12¾pc 1992‡‡	100½xd	–⅛	12.66	12.37
99½	95½	Treas 10pc 1992	95⅝	–⅛	10.47	12.43
94½	90½	Treas. 8pc 1992 ‡‡	91½	–⅛	8.73	12.36
100⅝	96½	Treas 10½pc Cv 1992‡‡	96½	–⅛	10.87	12.20
85⅝	82¼	Treas. 3pc 1992	84¼	–⅛	3.54	10.28
105½	99½	Exch. 12¼pc '92	100½	–⅛	12.26	12.24
109¾	103¼	Exch 13½pc 1992	103½	–⅛	13.09	12.09
94½	90½	Treas 8¼pc 1993	91½	–⅛	9.09	11.87
100½	95½	Treas 10pc 1993‡‡	95½	–⅛	10.46	11.66
108¼	101½	Treas 12½pc 1993‡‡	102½xd	–⅛	12.23	11.71
88½	84½	Funding 6pc 1993‡‡	85½	–⅛	6.99	10.76
113¼	106½	Treas 13¾pc 1993‡‡	106½	–⅛	12.92	11.62
94⅛	89½	Treas. 8½pc 1994	90½xd	–⅛	9.43	11.62
117½	109½	Treas 14½pc 1994‡‡	110¼	–⅛	13.19	11.41
113½	106½	Exch 13½pc 1994	106⅝	–⅛	12.69	11.55
100⅛	94½	Treas. 10pc Ln. 1994‡‡	95½	–⅛	10.48	11.35
110¼	102½	Exch. 12½pc 1994	103⅝	–⅛	12.09	11.52
96½	91⅛	Treas 9pc 1994‡‡	91½	–⅛	9.84	11.31

Five to Fifteen Years

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
108½	101½	Treas 12pc 1995	102½xd	–⅛	11.75	11.42
79½	72	Exch 3pc Gas 90–95	76	.....	3.94	8.57
101½	95½	Exch. 10¼pc 1995	96⅛xd	–⅛	10.69	11.28
113½	106½	Treas 12¾pc 1995‡‡	107	–⅛	11.96	11.17
119½	110½	Treas. 14pc '96	111½xd	–⅛	12.59	11.38
97½	90½	Treas. 9pc 1992–96‡‡	91⅛	–⅛	9.90	11.06
126½	117½	Treas 15¼pc 1996‡‡	118⅛	–⅛	12.93	11.19
117½	108½	Exch 13¼pc 1996‡‡	109½	–⅛	12.10	11.12
101½	94½	Conversion 10pc 1996	95½	–⅛	10.50	11.00
118½	109½	Treas 13¼pc 1997‡‡	110½xd	–⅛	11.99	11.06
104½	96½	Exch 10½pc 1997	97½	–⅛	10.77	11.08
95½	88½	Treas 8¾pc 1997‡‡	89½	–⅛	9.77	10.78
128⅝	118½	Exch 15pc 1997	119¼	–⅛	12.58	11.72
100½	93⅛	Exch. 9¾pc 1998	94⅛xd	–⅛	10.38	10.86
84½	78⅝	Treas 6¾pc 1995–98‡‡	80½	–⅛	8.46	10.44
134½	123½	Treas. 15½pc '98‡‡	124½	–⅛	12.45	11.03
113½	105	Exch. 12pc 1998	105½	–⅛	11.34	10.95
100¼	92½	Treas 9½pc 1999‡‡	93¼xd	–⅛	10.14	10.66
115½	106½	Exch. 12¼pc 1999	107⅛	–⅛	11.39	10.92
105⅛	97⅛	Treas. 10½pc 1999	98¼	–⅛	10.69	10.81
104½	96	Conversion 10¼pc 1999	96½	–⅛	10.61	10.86
94½	86½	Treas. 8½pc Ln 2000‡‡	87⅛xd	–⅛	9.71	10.53
97½	89½	Conversion 9pc 2000‡‡	90½	–⅛	9.94	10.54
122½	112	Treas. 13pc 2000	112½xd	–⅛	11.52	10.92
103⅛	95⅛	Treas 10pc 2001	95¾	–⅛	10.44	10.64
124½	114⅛	Treas. 14pc '98–01	115½	–⅛	12.14	11.14
102½	93¼	Conversion 9¾pc 2001	94½xd	–⅛	10.32	10.59
113½	104½	Exch. 12pc '99–02	105½xd	–⅛	11.34	10.96
104½	95½	Conversion 10pc 2002	96¼	–⅛	10.39	10.55
102½	94	Treas 9¾pc 2002	94⅝	–⅛	10.30	10.52
97½	89½	Exch. 9pc 2002	89¾	–⅛	10.02	10.45
126½	116½	Treas. 13¾pc 2000–03	117½xd	–⅛	11.744	10.97
105⅛	96½	Treas 10pc 2003	97	–⅛	10.36	10.46
113½	103½	Treas. 11½pc 2001–04	104½	–⅛	11.00	10.78
106½	96½	Treas. 10pc 2004	97½	–⅛	10.28	10.36
59½	54½	Funding 3½pc '99–04	55⅛xd	–⅛	6.38	9.21
102½	93½	Conversion 9½pc 2004	94	–⅛	10.10	10.28

Over Fifteen Years

BRITISH FUNDS – Contd

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
103½	93⅝	Conversion 9½pc 2005	94½	–⅛	10.00	10.25
111¼	101½	Exch.10½pc 2005	102	–⅛	10.29	10.24
125½	114¼	Treas. 12½pc 2003–05	114½	–⅛	10.87	10.43
90½	82½	Treas. 8pc 2002–06‡‡	82½	–⅛	9.68	10.18
118½	108½	Treas. 11¾pc 2003–07	109½xd	–⅛	10.76	10.44
96½	86½	Treas 8½pc 2007 ‡‡	87½xd	–⅛	9.69	9.99
134⅝	122¼	Treas. 13½pc '04–08	123½	–⅛	10.98	10.37
101½	91½	Treas. 9pc 2008 ‡‡	92	–⅛	9.78	9.93
94½	91½	Treas. 9pc 2008 'B'	92	–⅛	9.78	9.94
92½	83	Treas 8pc 2009	83½	–⅛	9.96	9.89
102½	91½	Conv 9pc Ln 2011 ‡‡	92¼xd	–⅛	9.75	9.87
68½	61½	Treas. 5½pc 2008–12‡‡	61½	–⅛	8.91	9.70
89½	80½	Treas. 7¾pc 2012–15‡‡	80½xd	–⅛	9.66	9.83
132½	118⅝	Exch. 12pc '13–'17	119¼	–⅛	10.07	9.89

Undated

High	Low	Stock	Price £	+ or –	Yield Int.	Red.
45⅝	40½	Consols 4pc	40½xd	–⅛	9.85	–
40⅜	35½	War Loan 3½pc‡‡	35½	–⅛	[illegible]	–
70½	60½	Conv 3½pc '61 Aft	61½	–⅛	5.70	–
41½	31½	Treas. 3pc '66 Aft	31⅝	–⅛	[illegible]	–
30¼	25½	Consols 2½pc	25½	–⅛	9.84	–
29½	24½	Treas. 2½pc	25½	–⅛	9.98	–

Index–Linked

High	Low	Stock (b)	Price £	+ or –	(1)	(2)
112½	103½	Tr. 2pc '92‡‡(97 8)	112½	+¼	3.09	4.26
105½	94½	Do. 2 '94 (102.9)	105½	+¼	2.93	3.51
155½	139⅛	Do. 2pc '96(67.9)	153½	+⅛	3.01	3.41
131⅝	118½	Do 2½pc '01(78.3)	130¼	–⅛	3.44	3.70
128⅝	115½	Do. 2½pc '03(78.8)	127⅛	–⅛	3.52	3.74
131½	117½	Do. 2pc '06(69.5)	130½xd	–⅛	3.55	3.73
123½	110¼	Do. 2½pc '09(78.8)	122½	–⅛	3.55	3.71
128½	114½	Do. 2½pc '11(74 6)	127½	–⅛	3.54	3.69
107½	95¼	Do. 2½pc '13(89 2)	105⅛	–⅛	3.51	3.66
115¼	101¼	Do. 2½pc '16(81.6)	114½xd	–⅛	3.48	3.62
113½	100⅞	Do. 2½pc '20(83 0)	111½	–⅛	3.44	3.56
95¼	84½	Do. 2½pc '24‡‡(97 7)	94½xd	–⅛	3.39	3.51

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for April 1989: 114.3 and for November 1989: 118.5.

INT. BANK AND O'SEAS

High	Low	Stock	Price £	+ or –	Yield Int.	Red.
108½	98½	African Dv Bk 11¼ Ln 2010	98½	–½	11.29	11.31
104⅝	94½	Asian Dev Bk 10¼pcLn2009	94½	–½	10.40	10.93
130½	117½	Australia 13½pc 2010	118½	–½	11.40	11.19
113½	101½	Do. 11½pcLn2015	101½	–½	11.16	11.14
110½	98¼	Euro Inv Bk 11pc Ln 2002	98⅞	–½	11.13	11.16
119½	107½	Int-Am Dev Bk 12½pc 2003	108	–½	11.57	11.31
99¼	89½	Do 9¾pcLn 2015	89½	–½	10.90	10.99
97½	89	Mlysia 10¼pcLn 2009	90	.....	11.94	12.09
120	110	Utd. Mexican States 16½pc 2008	110	.....	15.00	14.90

CORPORATION LOANS

High	Low	Stock	Price £	+ or –	Yield Int.	Red.
111½	95½	Birmingham 11½pc 2012	100½	.....	11.44	11.40
91	85½	GLC 6¾pc 1990–92	88½	.....	7.63	12.80
124½	115½	Leeds 13½pc 2006	116½	.....	11.59	11.25
33	29	Liverpool 3½pc Irred	29	.....	12.07	–
95½	92	LCC 6¾pc '88–90	95½xd	.....	7.07	11.60
30	26	Do. 3pc '20 Aft	27	.....	11.11	–
107½	99½	Manchester 11½pc 2007	101½	.....	11.33	11.30

COMMONWEALTH & AFRICAN LOANS

High	Low	Stock	Price £	+ or –	Yield Int.	Red.
89½	86½	NZ 7¼pc 1988–92	87½	.....	8.29	12.40
206	206	S Rhod 2½pc Non-Assd.	206	.....	–	–
84½	84½	Do. 4½pc 87–92 Assd.	84½	.....	5.33	9.33

LOANS

Building Societies

1989/90 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
100½	98¼	N'wide Anglia 12½pc 29.1.90.	99½xd	.....	12.58	14.91
100	98¼	Do. 12½pc 26.2.90	99½	....	12.76	15.28
100	98½	Do. 12¾pc 19.3.90	99½	.....	12.94	15.20
100½	98½	Do. 13⅛pc 23.4.90	99½	....	13.46	15.17
100	98½	Do. 13pc 14.5.90	99½	.....	13.80	15.14
100	98⅝	Do. 13½pc 4/6/90	99½	.....	13.76	15.07
100½	99⅛	Do. 14½pc 2.7.90	99½xd	.....	14.36	14.99
100⅛	98½	Do. 13⅝pc 23.7.90	99½	.....	13.71	14.97
100	98½	Do 13½pc 13.8.90	99½xd	...	13.56	14.96
100	98½	Do 13½pc Bds 3.9.90	99½	..	13.63	14.85
109	98½	Do 3⅞pcIL Ln 2021	108	.....	4.30	4.53
109	99⅛	Do. 4.25pcIL '24	107½	.....	4.28	4.33

Public Board and Ind.

High	Low	Stock	Price £	+ or –	Yield Int.	Red.
47	43	Met. Wtr. 3pc 'B'	45xd	.....	6.67	10.86

FOREIGN BONDS & RAILS

1989/90 High	Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	40	Greek 7pc Ass.	50	.....	3.50	f7.00
50	40	Do 6pc 28 Stb. Ass	50	.....	3	f6.00
50	40	Do 4pc Mixed Ass	50		2	f4.00
80	65	Hung. '24 Ass	80	.....	2.75	13.57
139½	125½	Hydro Quebec 15pc 2011.	126½	–¼	15.00	11.65
128½	113½	Iceland 14½pc Ln 2016	115	.....	14.50	12.54
97¾	90	Ireland 9¾pc '91–96	90	.....	10.74	11.90

AMERICANS

1989/90 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
44½	26⅛	Abbott Laboratories§.	41½xd	–½	$1.40	–	2.1
579p	361p	♦Allegheny & W Ic.	521p	+12	30c	–	3.6
18⅞	12½	Amax $1	14⅝xd	–¼	80c	–	3.5
11⅛	6	Ambase Corp $1	7½	+½	20c	–	1.8
15	695p	Amdahl 5c.	867pxd	–52	h10c	–	0.7
37⅞	25½	Amer Cyanamid $5	33¼	..	$1.35	–	2.6
25½	14½	Amer Express 60c	20½xd	–⅛	92c	–	3.8
29⅛	15¼	American T & T $1.	27½	+¼	$1.20	–	2.8
42¼	26½	Ameritech $1	39⅛	–¼	h$2.92	–	4.7
659p	490p	♦Asiamerica Equity§.	536p	–11	–	–	–
22½	9⅝	BankAmerica $1½	16½xd	–⅛	60c	–	2.3
37⅛	19⅛	Bankers N Y $1	25⅝xd	–⅛	$2.12	–	5.8
70¼	38½	Bell Atlantic $1	65	.....	$4.60	–	4.3
36⅝	19⅝	BellSouth Corp.	34¼	+⅛	$2.52	–	4.7
15⅞	9⅝	♦Bethlehem Steel $8.	11½xd	+⅛	40c	–	2.2
12	868p	♦Bio-Rad Labs. A	10	.....	–	–	–
20¼	15⅛	Bowater Inc.	16¾	–¼	$1.20	–	4.5
12⅞	8¼	Brunswick 75c	8⅝xd	+⅛	44c	–	3.2
46⅝	28⅜	CPC Intnl 25c.	43½	+½	$1.80	–	2.6
863p	333p	California Engy	721p	–4	–	–	–
36½	17¼	Campbell Soup 15c.	30¼xd	–¼	$1.00	–	2.1
28⅞	15½	Chase Manhattan $12½	20⅛xd	–⅛	$2.36	–	7.3
26¼	17	Chem Banking Corpn.	19	.....	$2.72	–	9.1
17½	11½	Chrysler $6¼	11½xd	–½	$1.20	–	6.6
22½	14½	Citicorp $1	17¼xd	–½	$1.62	–	5.9
41½	25¼	Colgate-Palmolive $1	36½xd	–⅛	s$1.48	–	2.5
17¼	10¾	Cont'l Bank Corp $4.	12⅝	–¼	$1.00	–	5.0
410p	218p	♦Corporate Data Scien.	291p	...	–	–	–
27½	20¼	Dana Corp $1.	21¼xd	+⅛	$1.60	–	4.7
12	739p	Data General	744p	...	–	–	–
38⅜	26⅞	Dun & Bradstreet $1.	27½	+⅛	$2.00	–	4.6
43⅛	24½	Eaton Corpn. 50c.	33½	+½	h$2.00	–	3.7
11⅜	8¼	Echlin Inc.	9½	–⅛	70c	–	4.8
22¼	16⅞	FPL Group 1c.	20½xd	–⅛	$2.28	–	7.0
23⅝	13⅛	Fluor Corp 62½pc	23	–⅛	24c	–	0.7
35¼	25½	Ford Motor $1	27½xd	–½	$3.00	–	7.0
41⅝	24¼	Gen. Elect. 63c.	39⅞	.....	$1.88	–	3.0
579p	356p	♦General Host Corp $1.	355p	–17	30c	–	5.3
39⅛	18¼	Gillette $1	29⅝	+⅛	96c	–	2.1
987p	357p	Gt American Bank Bk $1.	430p	–3	20c	–	2.9
23⅞	16½	Greyhound $1½	19½	–½	$1.32	–	4.3

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

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AMERICANS – Contd

1989/90 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
15½	847p	Hasbro Inc 50c	12½	.....	16c	–	0.8
57½	32¾	Honeywell $1½	52¾	+⅛	$2.75	–	3.3
22⅝	15¼	Houston Inds ‡	[illegible]	.....	$2.96	–	8.9
75⅛	58⅛	IBM Corpn $1¼	60⅞	[illegible]	$4.84	–	5.0
60p	45p	Hongg Storage/R.Sea.1c	48p	–2	–	–	–
32⅜	19⅛	Ingersoll-Rand $2	31½	–⅞	$1.20	–	2.4
33¼	22½	Lockheed Crpn $1	24	[illegible]	$1.80	–	4.6
22⅝	10½	Lone Star Inds $1	10½	+⅛	$1.90	–	11.6
28	17½	Louisiana Land 15c	25¼	–⅛	$1.00	–	2.5
26½	[illegible]	Lowe's 50c	[illegible]	+⅛	52c	–	[illegible]
28⅞	[illegible]	Manuf. Hanover $1	20⅝	+⅛	$3.28	–	10.1
22⅝	13⅝	Merrill Lynch $1	16⅝	+⅛	$1.00	–	[illegible]
24¾	19⅛	Molex Inc	22	–⅛	3.2c	–	–
30½	18⅛	Morgan (JP) $2½	26	–⅛	$1.83	–	4.4
28⅞	24⅛	Morris (Philip)	24⅛	–⅛	$2.13	–	2.9
56⅛	36⅛	NYNEX $1	53	+⅛	$4.36	–	5.2
44p	11p	N'wide Legal Serv ‡	14p	–4	–	–	–
24⅞	18⅛	PHH Corp ‡	21¼	–⅛	$1.16	–	3.5
259p	167p	♦Pacific Agr ‡	187p	....	–	–	–
29⅛	19	Pacificorp $3¼	27½	–⅛	$2.76	–	6.1
31⅛	16⅞	Pacific Telesis 10c	29	+⅛	$1.88	–	4.0
22⅜	15¼	Pall Corp 25c	21⅛	+⅛	48c	–	1.4
55⅛	39⅛	Pennzoil 83 1/3c	52¼	–⅛	$3.00	–	3.6
42⅜	28⅛	Quaker Oats $5	35⅛	–⅛	$1.40	–	2.5
32⅛	23⅛	Rep NY Corpn $5	31¼	+⅛	$1.28	–	2.6
19⅛	11	Rockwell Intl $1	14⅛	–⅛	78c	–	3.5
29½	22	Sears Roebuck 75c	23½	–⅛	$2.00	–	5.4
45⅛	21⅛	Southwestern Bell $1	36⅛	+⅛	$2.60	–	4.5
27⅞	17	Sun Co Inc $1	24	–⅛	$1.80	–	4.6
31⅞	22	TRW Inc 62½c	30¼	–⅛	[illegible]	–	3.6
40	26⅛	Tenneco $5	36	.	$3.04	–	5.2
34	28	Texaco $6.25	34⅛	..	$3.00	–	5.5
28	19	Texas Instr $1	21⅛	.	80c	–	2.3
117	58	Time Inc $1	79	–⅛	$1.00	–	0.8
19⅛	13	TRINOVA Corp	15⅛	.	63c	–	2.8
26⅛	16	USA $1	22¼	+⅛	$1.40	–	4.0
[illegible]							

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

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For Water Issues see London Recent Equities

OIL AND GAS

OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES — Contd

Miscellaneous

THIRD MARKET

1989/90 High	Low	Stock	Price	+ or -	Div Net	C'vr	Y'ld Gr's	P/E
51	35	Sempernova........ y	35	-1				7.7
39	20	Sleepy Kids 5p. .... y	24	...				–
*17½	5	Stake Hldgs 5p y	5	...				13.0
*3¼	1¼	Swanyard Studios 1p y	1½	-¼				7.2
11	2½	System Connection 2½p y	2½	.....				3.6
50	28	Tavern Leis. 20p y	33	-2				–
115	28	Tomorrows Leisure 20p y	94	......				35.8
113	55	UPL Group 10p. ...y	55	...	2.75	1.9	6.7	10.4
150	128	Unit Group .... y	129	.....	5.0	3.3	5.2	7.3
100	66	Video Magic Leis. 1p y	79	......	W2.0	0.7	3.4	63.3
14	4¼	Vista Ents 5p. .... y	5	...				–
40	15	Vizcaya Hldgs 5p . y	16	-2				–
46½	23	Whitegate Leisure 20p y	41	+½				–
32½	10	Do. Wrrnts .... y	25	......				–
10¼	4½	Wilton Group 1p... y	5	...				–

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
* Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
◆ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Not officially listed
& Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♠ Merger bid or reorganisation in progress
♣ Not comparable
♠ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
■ No par value

B.Fr. Belgian Francs. Fr. French Francs ◆◆ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue j Payment from capital sources. k Kenya m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield B Preference dividend passed or deferred. C Canadian. E Minimum tender price F Dividend and yield based on prospectus or other official estimates for 1988-89 G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90 P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates T Figures assumed W Pro forma figures. Z Dividend total to date. Abbreviations. xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or -
Albany Inv 20p.... y	91	+1
Craig & Rose £1.. y	830	......
Finlay Pkg. 5p . . y	58	.....
Holt (Jos) 25p .. y	1348	+8

IRISH

Stock	Price	+ or -
Cap. 8½% Ln 1991 ..	£96¼	......
9pc Cap Ln 1996 .	£96	...
Fin. 13% 97/02...	£115	......
Arnotts............	405	......
Carroll (P.J.)...... y	170xd	+5
Hall (R. & H.)......	195	......
Helton Hldgs....... y	102	+2
IRG..	220xr	+13
United Drug.........	275	+5

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	41
Amstrad	6½
Astec (BSR)	5¼
BAT	67
BOC Grp	44
BTR	37
Barclays	40
Blue Circle	20
Boots	23
Bowaters	39
Brit Aerospace	46
British Steel	9
Brit. Telecom	22
Cadburys	31
Charter Cons	42
Comm Union	40
Courtaulds	31
Eurotunnel	65
FKI	8
FNFC	22
Gen Accident	92
GEC	19
Glaxo	60
Grand Met	44
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	90
Jaguar	85
Ladbroke	25
Legal & Gen	51
Lex Service	26
Lloyds Bank	31
Lucas Inds	54
Marks & Spencer	16
Midland Bk	26
Morgan Grenfell	38
Nat West Bk	23
P & O Dfd	51
Polly Peck	38
Racal Elect	20
RHM	39
Rank Org Ord	74
Reed Intnl	34
STC	25
Sears	9
SmKl. Beecham A	48
TI	38
TSB	9
Tesco	16
Thorn EMI	63
Trust Houses	23
T&N	16½
Unilever	57
Vickers	22
Wellcome	55

Property

Stock	p
Brit Land	27
Control Secs	5
Land Securities	45
MEPC	45
Mountleigh	13

Oils

Stock	p
Brit Petroleum	25
Burmah Oil	65
Charterhall	2½
Conroy Petlm	9
Premier	10½
Shell	37
Tuskar Res.	12
Ultramar	28½

Mines

Stock	p
Lonrho	23
RTZ	45

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pöhl's remarks hit D-Mark

REMARKS BY Mr Karl Otto Pöhl, president of the West German Bundesbank, led to profit taking in the D-Mark and a rise of the dollar, sterling and the weaker members of the European Monetary System against the German currency.

Speaking after a meeting of European Community central bank governors Mr Pöhl said "A realignment of the EMS is not on the agenda, because the major players in that system do not want it."

This was taken by some observers to mean that France in particular does not want a realignment, involving a devaluation of the franc, but Mr Pöhl refused to be drawn on the specific identity of the "major players". Nevertheless the franc moved up on this news. The D-Mark was fixed at FFr3.4103 in Paris, compared with FFr3.4143 on Monday. In Frankfurt the frank closed at its highest level against the D-Mark since late November. Speculation that French interest rates could be forced higher also abated. Call money in Paris fell to 10 5/16 from 10 11/16 per cent, finishing within the range of the Bank of France's present money market intervention and securities repurchase rates.

The Belgian franc was the weakest member of the EMS yesterday, slightly below the Danish krone, Irish punt and French franc, but all currencies traded comfortably within their allowed 2.25 per cent divergence limit against the highest placed D-Mark.

Mr Pöhl's comments were widely regarded as an opportunity for the market to take profits in the D-Mark however, and not as a sign that the upward trend has been broken.

On the other hand dealers suggested some of the euphoria about the liberalisation of East Germany has faded, amid concern that talks between the government and opposition in Berlin could break down. Fear that developments in the east are not moving as quickly as hoped reduced the D-Mark's appeal, but relatively high Frankfurt interest rates continued to provide strong underlying support.

The dollar moved up against the D-Mark, to close at DM1.6820 in London, compared with DM1.6690 on Monday. The US currency also advanced against the yen, climbing to Y145.20 from Y144.05. Earlier in Tokyo the yen suffered from rumours of financial allegations against a high ranking Japanese politician. Unrest in the Soviet Union also pushed the dollar higher against the yen, prompting several rounds of intervention by the Bank of Japan.

At the London close the dollar had improved to SFr1.5265 from SFr1.5235 and to FFr5.7300 from FFr5.6900. The dollar's index rose to 67.1 from 66.7.

Sterling moved up with the dollar, closing little changed at $1.6540, against $1.6535 on Monday, but rising to DM2.7825 from DM2.7600; to Y240.25 from Y238.25; to SFr2.5250 from SFr2.5200; and to FFr9.4775 from FFr9.4100. The pound's index rose 0.6 to 87.8.

EURO-CURRENCY INTEREST RATES

Jan 9	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15⅛-14 15/16	15⅛-15	15⅛-15 1/16	15⅛-15 1/16	15-14⅞	14 15/16-14 13/16
US Dollar	8 5/16-8 3/16	8 5/16-8 3/16	8⅜-8¼	8 5/16-8 3/16	8 5/16-8 3/16	8⅜-8¼
Can Dollar	12-11¾	12-11¾	12 1/16-11 15/16	12 1/16-11 15/16	11 15/16-11 13/16	11¾-11½
D. Guilder	8⅞-8⅝	8⅞-8⅝	8¾-8⅝	8⅞-8¾	8⅞-8¾	8⅞-8¾
Sw Franc	10-9¼	9⅞-9⅜	9¾-9⅝	9¾-9⅝	9¾-9½	9⅛-9
Deutschmark	7⅝-7½	7¾-7⅝	8 1/16-7 15/16	8⅝-8½	8 3/16-8 1/16	8⅝-8½
Fr Franc	10⅜-10¼	10⅝-10½	11 1/16-10 15/16	11 1/16-11 3/16	11½-11⅜	11½-11⅜
Italian Lira	13-11	11⅜-10⅞	12¼-11¾	12⅝-12⅛	12⅝-12½	13⅛-12⅞
B Fr (Fin)	10½-10⅜	10½-10⅜	10 9/16-10 7/16	10⅝-10½	10⅝-10½	10⅝-10½
B. Fr (Con)	11¼-10¾	10⅝-10½	10⅝-10½	10¾-10⅝	10¾-10⅝	10¾-10⅝
Yen	6 1/16-6 5/16	6 7/16-6 5/16	6⅝-6½	6 13/16-6 11/16	7 1/16-6 15/16	7 1/16-6 15/16
D Krone	12¼-11 13/16	12¼-12⅛	12 5/16-12⅛	12¼-12⅛	12 3/16-11 13/16	11⅞-11⅝
Asian $Sing	8 5/16-8 3/16	8⅜-8¼	8⅜-8¼	8⅜-8¼	8 5/16-8 3/16	8 5/16-8 3/16

Long term Eurodollars: two years 8½-8⅜ per cent; three years 8⅝-8½ per cent, four years 8¾-8⅝ per cent, five years 8 13/16-8 11/16 per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

£ IN NEW YORK

Jan.9	Latest	Previous Close
£ Spot	1.6535-1.6545	1.6535-1.6545
1 month	0.84-0.83pm	0.99-0.98pm
3 months	2.39-2.36pm	2.63-2.60pm
12 months	[illegible]	9.03-8.93pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.9	Previous
8.30 am	87.4	87.2
9.00 am	87.5	87.3
10.00 am	87.7	87.5
11.00 am	87.6	87.4
Noon	87.7	87.3
1.00 pm	87.8	87.3
2.00 pm	87.9	87.3
3.00 pm	87.8	87.3
4.00 pm	87.8	87.2

CURRENCY RATES

Jan 9	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.24525	1.36947
U.S Dollar	7	1.32142	1.20850
Canadian $	12.46	1.53285	1.40379
Austrian Sch.	6½	15.6311	14.2632
Belgian Franc	10¼	46.5801	42.6176
Danish Krone	10½	8.65530	7.88120
Deutsche Mark	6.00	2.21959	2.02991
Neth.Guilder	7.00	2.50541	2.29155
French Franc	10¼	7.57372	6.92166
Italian Lira	13½	1660.30	1519.20
Japanese Yen	4¼	191.143	175.292
Norway Krone	8	8.65366	7.87577
Spanish Peseta	-	144.125	132.669
Swedish Krona	9½	8.16902	7.43466
Swiss Franc	6.00	2.02111	1.84477
Greek Drach.	20½	207.859	189.867
Irish Punt	-	N/A	0.769791

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Jan.8

CURRENCY MOVEMENTS

Jan.9	Bank of England Index	Morgan** Guaranty Changes %
Sterling	87.8	-23.8
U.S Dollar	67.1	-11.7
Canadian Dollar	104.7	+1.8
Austrian Schilling	110.5	+12.8
Belgian Franc	110.0	-3.2
Danish Krone	109.2	+3.8
Deutsche Mark	119.5	+26.1
Swiss Franc	106.8	+14.4
Guilder	114.8	+17.0
French Franc	103.7	-12.3
Lira	99.9	-18.9
Yen	128.8	+59.9

Morgan Guaranty changes, average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for Jan.8 .

OTHER CURRENCIES

Jan.9	£	$
Argentina	2934.60-3019.10	1775.00-1825.00
Australia	2.1010-2.1035	1.2710-1.2720
Brazil	20.1790-20.3070	12.2090-12.2790
Finland	6.5895-6.6025	3.9870-3.9890
Greece	256.80-261.35	155.10-157.60
Hong Kong	12.9150-12.9280	7.8100-7.8120
Iran	113.70*	70.10*
Korea(Sth)	1116.15-1134.20	678.60-684.00
Kuwait	0.4790-0.4810	0.2905-0.2915
Luxembourg	58.35-58.45	35.25-35.35
Malaysia	4.4680-4.4795	2.7035-2.7055
Mexico	4431.15-4465.25	2681.00-2691.00
N Zealand	2.7290-2.7350	1.6515-1.6545
Saudi Ar.	6.1835-6.1895	3.7500-3.7510
Singapore	3.1410-3.1465	1.8985-1.9005
S. Af (Cm)	4.2020-4.2130	2.5405-2.5420
S. Af (Fn)	6.0565-6.1740	3.6630-3.7315
Taiwan	42.85-42.95	25.90-25.95
U.A.E.	6.0550-6.0605	3.6720-3.6730

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Jan.9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6485-1.6590	1.6535-1.6545	0.97-0.95cpm	6.96	2.66-2.63pm	6.40
Canada	1.9180-1.9245	1.9200-1.9210	0.46-0.37cpm	2.47	1.33-1.22pm	2.65
Netherlands	3.11¾-3.14½	3.13½-3.14½	1¾-1⅝cpm	6.45	4⅝-4½pm	5.82
Belgium	57.90-58.45	58.35-58.45	26-20cpm	4.73	68-54pm	4.18
Denmark	10.72½-10.79¾	10.78-10.79	3-2⅝orepm	3.13	7¾-6¾pm	2.68
Ireland	1.0450-1.0565	1.0540-1.0590	0.50-0.45pm	5.41	0.85-0.75pm	3.03
W. Germany	2.76-2.78½	2.78-2.78½	1¾-1⅝pfpm	7.29	4⅝-4¼pm	6.21
Portugal	243.95-245.95	244.95-245.95	62-145cdis	-5.06	195-361dis	-4.53
Spain	180.55-182.10	181.60-181.90	1-11cdis	-0.40	23-38dis	-0.67
Italy	2069½-2082	2079-2080	5½-4lirepm	2.74	12-8½pm	1.95
Norway	10.74-10.78¼	10.76¼-10.77¼	3¼-2½orepm	3.13	7⅝-6½pm	2.57
France	9.42½-9.48½	9.47¼-9.48¼	3½-3cpm	4.11	8-7½pm	3.27
Sweden	10.13¾-10.17¼	10.14¼-10.15¼	2⅝-2¼orepm	2.80	5¾-5pm	2.11
Japan	239½-240¼	239¾-240¾	1⅞-1¾ypm	9.06	4¾-4⅝pm	7.81
Austria	19.42-19.56	19.51-19.54	9¼-7⅝gropm	5.15	28¼-24¼pm	5.36
Switzerland	2.51½-2.53	2.52-2.53	1¼-1⅛cpm	5.65	3½-3⅜pm	5.45
ECU	1.3655-1.3725	1.3715-1.3720	0.50-0.47cpm	4.26	1.22-1.17pm	3.50

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 58.25-58.35 Six-month forward dollar 5.13-5.08cpm 12 Month 9.10-9.00cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Jan.9	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6485-1.6590	1.6535-1.6545	0.97-0.95cpm	6.96	2.66-2.63pm	6.40
Ireland†	1.5660-1.5790	1.5670-1.5680	0.50-0.45cpm	3.63	1.40-1.30pm	3.44
Canada	1.1590-1.1620	1.1605-1.1615	0.41-0.44cdis	-4.39	1.07-1.11dis	-3.75
Netherlands	1.8835-1.9010	1.8985-1.8995	0.06-0.09cdis	-0.44	0.22-0.25dis	-0.50
Belgium	35.00-35.40	35.25-35.35	5.30-7.80cdis	-2.23	15.50-23.00dis	-2.19
Denmark	6.48-6.53¾	6.51¾-6.52¼	2.12-2.32oredis	-4.09	5.85-6.35dis	-3.74
W. Germany	1.6675-1.6845	1.6815-1.6825	0.05-0.03pfpm	0.29	par-0.03dis	-0.04
Portugal	148.45-148.70	148.55-148.65	120-160cdis	-11.30	370-470dis	-11.30
Spain	109.05-110.10	110.00-110.10	62-72cdis	-7.33	188-198dis	-7.04
Italy	1249¾-1260¼	1257-1257½	4.20-4.80liredis	-4.30	13.00-15.00dis	-4.46
Norway	6.49-6.52¾	6.51-6.51½	2.00-2.25oredis	-3.91	6.10-6.50dis	-3.87
France	5.69-5.74½	5.72¾-5.73¼	1.37-1.47cdis	-2.98	4.40-4.55dis	-3.12
Sweden	6.12¾-6.15½	6.13¼-6.13¾	2.07-2.22oredis	-4.19	6.50-6.85dis	-4.34
Japan	144.75-145.25	145.15-145.25	0.25-0.23ypm	1.99	0.53-0.50pm	1.42
Austria	11.73-11.84	11.82-11.82½	0.45-1.45grodis	-0.97	0.30-3.00dis	-0.59
Switzerland	1.5200-1.5290	1.5260-1.5270	0.18-0.21cdis	-1.53	0.34-0.39dis	-0.96
ECU	1.2030-1.2115	1.2035-1.2045	0.31-0.29cpm	2.98	0.91-0.87pm	2.95

Commercial rates taken towards the end of London trading.† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 35.20-35.30.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan 9	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.1679	42.6176	+1.07	+1.07	±1.5508
Danish Krone	7.79845	7.88120	+1.06	+1.06	±1.6453
German D-Mark	2.04446	2.02991	-0.71	-0.71	±1.1762
French Franc	6.85684	6.92166	+0.95	+0.95	±1.3618
Dutch Guilder	2.30358	2.29155	-0.52	-0.52	±1.5272
Irish Punt	0.763159	0.769791	+0.87	+0.87	±1.6689
Italian Lira	1529.70	1519.20	-0.69	-0.69	±1.5162
Spanish Peseta	132.889	132.669	-0.17	-0.17	±4.2705

Changes are for Ecu, therefore positive change denotes a weak currency Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Jan.9	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.654	2.783	240.3	9.478	2.525	3.141	2080	1.921	58.40
$	0.605	1	1.683	145.3	5.730	1.527	1.899	1258	1.161	35.31
DM	0.359	0.594	1	86.35	3.405	0.907	1.129	747.4	0.690	20.98
YEN	4.161	6.885	11.58	1000.	39.44	10.51	13.07	8656	7.994	243.0
F Fr.	1.055	1.745	2.936	253.5	10	2.664	3.314	2195	2.027	61.62
S Fr.	0.396	0.655	1.102	95.17	3.754	1	1.244	823.6	0.761	23.13
H Fl.	0.318	0.527	0.886	76.50	3.018	0.804	1	662.2	0.612	18.59
Lira	0.481	0.795	1.338	115.5	4.557	1.214	1.510	1000.	0.924	28.08
C $	0.521	0.861	1.449	125.1	4.934	1.314	1.636	1083	1	30.40
B Fr.	1.712	2.832	4.765	411.5	16.23	4.324	5.378	3562	3.289	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS

LIFFE US TREASURY BOND FUTURES OPTIONS

LIFFE BUND FUTURES OPTIONS

LIFFE £/$ OPTIONS

LIFFE EURODOLLAR OPTIONS

LIFFE SHORT STERLING OPTIONS

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6540	1.6444	1.6276	1.6029	1.5635

CHICAGO

U.S. TREASURY BONDS (CBT) 8%

U.S. TREASURY BILLS (IMM)

SWISS FRANC (IMM)

PHILADELPHIA SE £/$ OPTIONS

JAPANESE YEN (IMM)

DEUTSCHE MARK (IMM)

THREE-MONTH EURODOLLAR (IMM)

STANDARD & POORS 500 INDEX

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT

US TREASURY BONDS 8%

6% NOTIONAL GERMAN GOVT. BOND

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND

THREE MONTH STERLING

THREE MONTH EURODOLLAR

THREE MONTH EUROMARK

THREE MONTH ECU

Estimated volume 402 (344)
Previous day's open int. 1639 (1591)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Mar	2489.0	2494.0	2466.0	2479.0
Jun	2531.0			2522.0
Sep				

Estimated volume 3655 (3348)
Previous day's open int. 22668 (22604)

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS : 43,163

A=Ask B=Bid C=Call P=Put

JOTTER PAD

MONEY MARKETS

Longer rates firmer

LONGER TERM interest rates had a slightly firmer tone in London yesterday. One-year interbank rose to 14¾-14⅝ from 14 11/16-14 9/16 per cent, but three-month money was unchanged at 15⅛-15 1/16 per cent. Trading was quiet, lacking fresh factors. There was no obvious reaction to Monday's comments by Mr John Major, the Chancellor, about sterling and interest rate policy.

On Liffe short sterling futures for March delivery weakened in late trading, after breaking technical support at 85.35. The contract opened at 85.37 and touched 85.29, before closing at 85.30, against 85.36 on Monday.

The Bank of England initially forecast a credit shortage of £200m on the money market, but revised this to £250m at noon.

No assistance was given before lunch, but in the afternoon the authorities bought £135m bills, by way of £29m bank bills in band 1 at 14⅞ per cent and £106m bank bills in band 2 at 14¾ per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £163m, with the unwinding of repurchase agreements absorbing £252m, and bank balances below target £75m. These outweighed Exchequer transactions adding £175m to liquidity, and a fall in the note circulation of £125m.

In Frankfurt call money remained at 7.70 per cent, with demand for funds limited by commercial bank's relatively high reserve holdings at the Bundesbank. These averaged DM64.7bn for the first seven days of January, compared with an expected average for the whole month of DM59bn.

The Bundesbank has offered liquidity to the money market, via a 28-day securities repurchase agreement tender, at variable bid rates. A total of DM19.8bn drains from the market today, as an earlier pact expires, and dealers generally expect the central bank's allocation to match the maturing agreement.

In Amsterdam the Dutch Central Bank offered liquidity to commercial banks, via a seven-day special advances agreement, at an unchanged rate of 8.5 per cent.

In Brussels the Belgian National Bank raised the interest rate on four-month paper, issued at its weekly tender, by 0.10 per cent to 10.40 per cent. This brings the four month rate into line with one, two and three-month Treasury certificate rates.

UK clearing bank base lending rate 15 per cent from October 5

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.9) 3 months US dollars		6 months US Dollars	
bid 8 3/16	offer 8 5/16	bid 8 3/16	offer 8 5/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9½
Fed. funds	8 5/16
Fed. funds at intervention	-

Treasury Bills and Bonds

One month	6.61	Three year	7.93
Two month	7.40	Four year	7.91
Three month	7.79	Five year	7.92
Six month	7.81	Seven year	8.04
One year	7.77	10-year	8.01
Two year	7.90	30-year	8.09

Jan.9	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.65-7.75	8.05-8.20	8.05-8.20	8.10-8.30	8.25-8.45	8.00
Paris	10½-10⅝	11 1/16-11 3/16	-	11 1/16-11 3/16	-	9.50
Zurich	8⅝-9⅛	9⅝-9⅝	-	9⅝-9⅝	-	-
Amsterdam	-	-	-	-	-	-
Tokyo	6 1/16-6⅛	6 11/16-6 13/16	-	6 13/16-6⅞	-	-
Milan	12¾-12⅞	12⅞-13⅛	-	12¾-13⅛	-	-
Brussels	7.65	10 7/16-10 5/16	-	10½-10⅝	-	-
Dublin	11 11/16-11 13/16	11¾-11⅞	11⅞-12	11⅞-12⅛	12-12⅛	-

LONDON MONEY RATES

Jan 9	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	15	15 1/16	15⅛	15⅛	15 1/16	14¾
Interbank Bid	13	14 15/16	15 1/16	15 1/16	14⅞	14⅝
Sterling CDs	-	-	15 1/16	15 1/16	14⅞	14⅞
Local Authority Deps.	14¾	15	15 1/16	15 1/16	14 15/16	14⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	14⅞	14 15/16	14⅞	14⅝	-	-
Company Deposits	-	-	15⅛	15⅛	15	14⅝
Finance House Deposits	-	-	15⅛	15⅛	14⅞	14⅝
Treasury Bills (Buy)	-	-	14 13/16	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14 13/16	13 13/16	-
Fine Trade Bills (Buy)	-	-	15⅝	15⅜	14 13/16	-
Dollar CDs	-	-	8.27	8.23	8.23	8.23
SDR Linked Dep. Offer	-	-	9⅛	9⅛	9⅛	8 13/16
SDR Linked Dep. Bid	-	-	8 13/16	8⅞	8 13/16	8 11/16
ECU Linked Dep. Offer	-	-	11	11⅛	11⅜	11⅜
ECU Linked Dep. Bid	-	-	10⅞	11	11¼	11¼

Treasury Bills (sell); one-month 14 11/16 per cent, three months 14 9/16 per cent; Bank Bills (sell): one-month 14¾ per cent; three months 14 13/16 per cent; Treasury Bills; Average tender rate of discount 14.4683 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December,29 ,1989 . Agreed rates for period January 24 1990 to February,25 , 1990. Scheme I: 15.90 p.c., Schemes II & III. 16.38 p.c. Reference rate for period Dec.1,1989 to December,29 , 1989, Scheme IV&V: 15.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from January 1 , 1990: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent, nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1989 , Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%
ABN Bank	15
Adam & Company	15
Allied Trust Bank	15
Allied Irish Bank	15
● Henry Ansbacher	15
Associates Cap Corp	14
Authority Bank	15
● B & C Merchant Bank	15
Bank of Baroda	15
Banco Bilbao Vizcaya	15
Bank Hapoalim	15
Bank Credit & Comm	15
Bank of Cyprus	15
Bank of Ireland	15
Bank of India	15
Bank of Scotland	15
Banque Belge Ltd	15
Barclays Bank	15
Benchmark Bank PLC	15
Brit. Bk of Mid East	15
● Brown Shipley	15
CL Bank Nederland	15
● Charterhouse Bank	15
Citibank NA	15
City Merchants Bank	15
Clydesdale Bank	15
Comm. Bk. N. East	15
Co-operative Bank	*15
Coutts & Co	15
Cyprus Popular Bk	15
Dunbar Bank PLC	15
Duncan Lawrie	15
Equatorial Bank plc	15
Exeter Trust Ltd	15½
Financial & Gen. Bank	15
First National Bank Plc	16
● Robert Fleming & Co	15
Robert Fraser & Ptnrs	15½
Girobank	15
● Guinness Mahon	15
HFC Bank plc	15
● Hambros Bank	15
Hampshire Trust Plc	15½
Heritable & Gen Inv Bnk	15
● Hill Samuel	§15
C. Hoare & Co.	15
Hongkong & Shangh	15
● Leopold Joseph & Sons	15
Lloyds Bank	15
Meghraj Bank Ltd	15
McDonnell Douglas Bnk	15
Midland Bank	15
Mount Banking	15
Nat Bk. of Kuwait	15
NatWestminster	15
Northern Bank Ltd	15
Norwich Gen. Trust	15
Nykredit Mortgage Bank	15½
PRIVATbanken Limited	15
Provincial Bank PLC	16
Roxburghe G'rantee	15½
Royal Bk of Scotland	15
Royal Trust Bank	15
● Smith & Williamson Secs.	15
Standard Chartered	15
TSB	15
● United Bk of Kuwait	15
United Mizrahi Bank	15
Unity Trust Bank Plc	15
Western Trust	15
Westpac Bank Corp.	15
Whiteaway Laidlaw	15
Yorkshire Bank	15

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CROSSWORD

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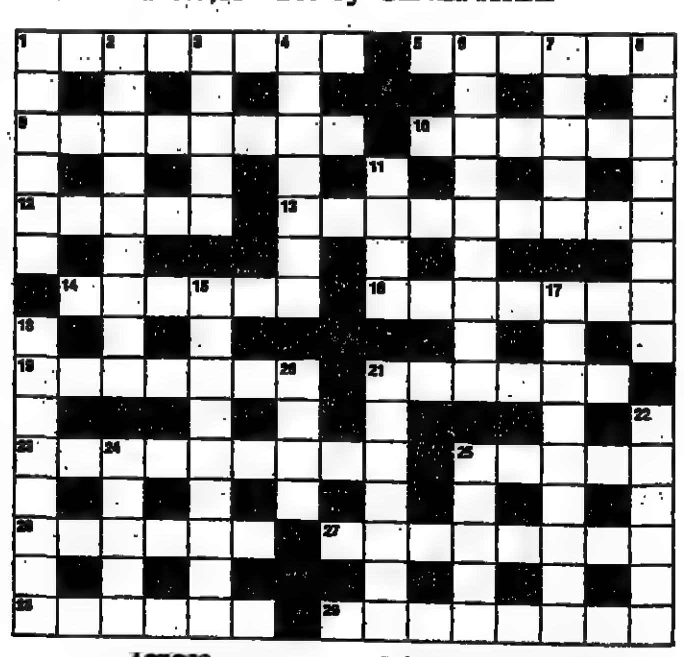


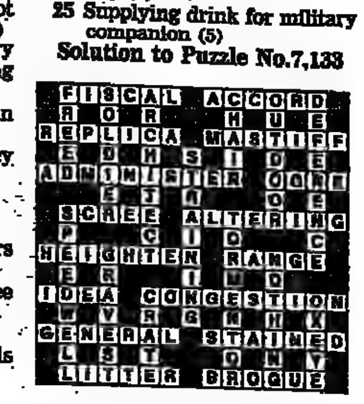
ACROSS

1 Footballer who ate fifty per cent? (4,4)
5 Picked for Korea (6)
9 Friendship with California is disaster (8)
10 Sort of circle (goes round his neck) (6)
12 Solvent put in to enlarge the range (5)
13 Misconceived in relation to gains? (3-6)
14 Model of city used by Sikhs? (6)
16 Sound of blow surrounds king in North Wales (7)
19 Swelter terribly in the ring perhaps (7)
21 Singer of islands (6)
23 Heater is all right: they go off in November (9)
25 Singer of sauce and toast (5)
26 Clever about article, he got his feet wet on purpose (6)
27 Almost pornographic entry in magazine means eating out (3,5)
28 Commissioner's right in Apollo's island (6)
29 Lack of energy makes Grey halt (8)

DOWN

1 Servant shortage: solvers turn up (6)
2 Maximum audience of three and a pair (4,5)
3 Returning poet? (5)
4 Reluctant Scotsman finds his region? (7)
6 Greeting: think of the end of October (9)
7 Support for proud walker? (5)
8 Knight and morning in agreeable soubriquet (8)
11 What's wrong with female rule? (4)
15 Haw fruit in fried coating will go down the plug hole (4,5)
17 Stern in front of ship – and he won't compromise! (4-5)
18 Coins are deceitful (3-5)
20 Title of Listener with its heading (4)
21 Price to you (say) and me of dress (7)
22 China animal on stack, perhaps (6)
24 For children, a lunch of kidney (5)
25 Supplying drink for military companion (5)

Solution to Puzzle No.7,133



WORLD STOCK MARKETS

AUSTRIA — BELGIUM/LUXEMBOURG — DENMARK — FINLAND — FRANCE — FRANCE (continued) — GERMANY — GERMANY (continued) — ITALY — ITALY (continued) — NETHERLANDS — NORWAY — SPAIN — SWEDEN — SWITZERLAND — SOUTH AFRICA — JAPAN — AUSTRALIA — AUSTRALIA (continued) — HONG KONG — MALAYSIA — SINGAPORE

CANADA

TORONTO

2pm prices January 9

Quotations in cents unless marked $

5150 Xerox Can $22½ 22½ 22½

‡—No voting rights or restricted voting rights.

INDICES

NEW YORK

DOW JONES	Jan 8	Jan 5	Jan 4	Jan 3	1989/90 HIGH	1989/90 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2794.58	2773.25	2796.08	2809.73	2810.15 (2/1/90)	2144.64 (3/1/89)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	92.89	92.93	93.01	93.04	94.15 (2/8/89)	87.35 (23/3/89)	—	—
Transport	1178.34	1179.23	1187.77	1191.50	1532.01 (5/9/89)	959.95 (3/1/89)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	225.67	227.43	230.76	234.15	236.23 (2/1/90)	181.84 (24/2/89)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2803.97 (2810.15) Low 2753.41 (2798.11)

STANDARD AND POOR'S								
Composite ‡	353.79	352.20	355.66	358.76	359.80 (9/10/89)	275.31 (3/1/89)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	406.09	404.20	407.59	410.40	411.20 (2/1/90)	318.66 (3/1/89)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	31.41	31.38	31.67	31.87	35.24 (9/10/89)	24.30 (3/1/89)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	195.33	194.64	196.29	197.80	199.34 (9/10/89)	154.98 (3/1/89)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	381.62	382.45	382.16	382.42	397.03 (10/10/89)	305.24 (3/1/89)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	458.71	458.22	459.39	460.90	485.73 (9/10/89)	378.56 (3/1/89)	485.73 (9/10/89)	54.87 (31/10/72)

	Jan 5	Dec 29	Dec 15	year ago (approx.)
Dow Industrial Div. Yield	3.84	3.87	3.89	3.66
	Jan 3	Dec 27	Dec 20	year ago (approx.)
S & P Industrial div. yield	2.86	2.95	2.90	3.17
S & P Indl. P/E ratio	15.19	14.74	14.51	13.00

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Philip Morris	3,316,900	41	− 1¼
Pan Am Corp	3,131,900	3½	+ ¼
Gen Electric	1,250,400	66	+ ⅜
A T & T	1,207,900	45⅛	+ 1¼
Frst Fidelity	1,206,600	22⅞	− ⅜
IBM	1,156,400	100⅛	+ ⅝
Fannie Mae	1,152,200	36¼	+ ¾
US Shoe Corp	1,120,900	21¾	+ ½
Chase Manhttn	1,078,600	33⅞	− 1
Exxon	1,075,500	49½	+ ⅜

TRADING ACTIVITY

† Volume Millions	Jan 8	Jan 5	Jan 4
New York	140,110	158,530	177,000
Amex	12,860	14,361	12,868
NASDAQ	(u)	137,227	147,950
Issues Traded	1,976	1,962	1,971
Rises	807	573	639
Falls	697	936	914
Unchanged	472	453	418
New Highs	33	36	54
New Lows	20	8	13

CANADA TORONTO

	Jan 8	Jan 5	Jan 4	Jan 3	1989/90 HIGH	1989/90 LOW
Metals & Minerals	3359.21	3399.97	3453.05	3452.90	3919.2 (1/9/89)	3207.5 (3/1/89)
Composite	3971.07	3990.37	4000.91	4009.47	4037.8 (6/10/89)	3350.5 (6/1/89)
MONTREAL Portfolio	2022.39	2035.23	2049.41	2060.90	2069.68(10/10/89)	1677.48 (3/1/89)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and *Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83.* † Excluding bonds. ‡ Indusurial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan 9	Jan 8	Jan. 5	Jan. 4	1989/90 HIGH	1989/90 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1690.6	1699.7	1710.8	1706.8	1781.8 (29/8/89)	1412.9 (7/4/89)
All Mining (1/1/80)	849.7	860.6	860.8	856.2	875.1 (29/8/89)	652.6 (7/4/89)
AUSTRIA						
Credit Aktien (30/12/84)	568.18	550.72	542.67	551.50	568.18 (9/1/90)	219.5 (2/1/89)
BELGIUM						
Brussels SE (1/1/80)	6564.16	6553.83	6572.50	6596.35	6805.28 (26/9/89)	5519.30 (4/1/89)
DENMARK						
Copenhagen SE (3/1/83)	364.79	364.51	362.21	362.14	364.79 (9/1/90)	275.49 (27/2/89)
FINLAND						
Unitas General (1975)	610.3	607.8	605.3	598.5	815.8 (18/4/89)	580.8 (23/11/89)
FRANCE						
CAC General (31/12/82)	545.1	548.2	554.7	550.2	561.6 (11/10/89)	417.9 (4/1/89)
CAC 40 (31/12/87)	1970.28	1968.95	1994.36	2006.42	-	-
GERMANY						
FAZ Aktien (31/12/58)	776.08	766.31	755.91	761.97	776.08 (9/1/90)	535.78 (27/2/89)
Commerzbank (1/12/53)	2290.7	2262.8	2231.2	2251.1	2291.3 (3/1/90)	1595.7 (27/2/89)
DAX (30/12/87)	1865.94	1843.24	1820.00	1835.88	1869.66 (3/1/90)	1271.70 (23/2/89)
HONG KONG						
Hang Seng Bank (31/7/64)	2822.16	2816.24	2839.94	2867.95	3309.64 (15/5/89)	2093.61 (5/6/89)
IRELAND						
ISEQ Overall (4/1/88)	1863.05	1860.89	1855.95	1855.96	1863.05 (9/1/90)	1360.64 (10/1/89)
ITALY						
Banca Com. Ital. (1972)	702.83	702.07	701.12	700.24	734.84 (31/8/89)	577.49 (28/2/89)
JAPAN						
Nikkei (16/5/49)	37951.46	38294.96	38274.76	38712.88	38915.87(29/12/89)	30183.79 (5/1/89)
Tokyo SE (Topix) (4/1/68)	2817.24	2834.11	2834.61	2867.70	2884.80(18/12/89)	2366.91 (6/1/89)
2nd Section (4/1/68)	3962.47	3948.78	3939.21	3949.88	3962.47(9/1/90)	2774.38 (27/3/89)
MALAYSIA						
KLSE Composite	583.30	583.47	582.98	586.06	-	-
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	263.5	261.1	262.2	265.8	272.7 (21/9/89)	208.3 (3/1/89)
CBS All Shr (End 1983)	202.1	200.3	201.1	203.9	210.5 (8/9/89)	166.7 (1/3/89)
NORWAY						
Oslo SE (2/1/83)	734.29	730.75	731.16	735.35	735.35 (4/1/90)	467.17 (2/1/89)
PHILIPPINES						
Manila Comp (2/1/85)	1121.70	1127.39	1124.19	1119.33	1396.26 (28/12/89)	804.62 (6/2/89)
SINGAPORE						
SES All-Singapore	430.03	429.62	426.17	427.74	-	-
SOUTH AFRICA						
JSE Gold (28/9/78)	2160.0	2213.0	2095.0	2019.0	2254.0 (12/12/89)	1291.0 (15/2/89)
JSE Industrial (28/9/78)	2966.0	2933.0	2892.0	2853.0	2966.0 (9/1/90)	1961.0 (3/1/89)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	920.21	919.46	915.11	928.82	1007.80 (3/4/89)	844.75 (11/12/89)
SPAIN						
Madrid SE (30/12/85)	298.41	298.23	299.21	302.85	328.93 (13/9/89)	268.61 (1/3/89)
SWEDEN						
Jacobson & P. (31/12/56)	4542.8	(u)	4449.5	4364.4	4660.3 (16/8/89)	3333.9 (3/1/89)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	777.3	776.3	775.6	783.1	829.1 (6/9/89)	613.1 (3/1/89)
TAIWAN**						
Weighted Price (30/6/66)	9805.40	9964.72	9862.42	9853.15	10773.11 (25/9/89)	4873.01 (5/1/89)
THAILAND						
Bangkok SET (30/4/75)	909.95	906.71	918.67	902.07	918.67 (5/1/90)	386.73 (2/1/89)
WORLD						
M.S. Capital Intl (1/1/70)	(u)	568.0	566.4	571.0	571.0 (4/1/90)	487.6 (13/6/89)

**Saturday Jan. 6: Taiwan Weighted Price: 9927.06 Korea Comp Ex. 912.86

& Subject to official recalculation.

Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday January 9 1990

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Fuji Electrc	15.1m	1,260	+20	Nissho Iwai	8.4m	1,180	-10
Sanyo Electrc	10.3m	1,030	+10	Sumitomo Elc Id.	8.2m	1,750	-40
Kurabo	9.7m	830	-3	Sumitomo Mt Id.	8.1m	821	-2
Tokyo Style	9.3m	2,780	+240	Toyo Menka	7.8m	1,100	-20
Marubeni	8.6m	1,050	-30	C.Itoh	6.7m	1,200	-20

3pm prices January 9

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A–A–A –								
37½	24	AAR	.48	1.4	21	64	35⅝	35¼	35⅜	– ⅛
9⅝	8½	ACM n	1.28	13.		95	9½	9⅜	9½	+ ⅛
11⅝	10⅝	ACMIn	1.26	11.		362	11⅛	11⅛	11⅛	
9⅞	8	ACM M	n1.01	11.		416	9⅛	9	9⅛	
11½	10	ACM Sc	1.25	11.		1624	11¼	11⅛	11⅛	– ⅛
9⅜	8⅞	ACMSp	1.01	11.		614	9¼	9⅛	9⅛	
19⅛	11½	AL Lab	.18	.9	19	1969	19⅛	18¾	18⅞	+ ⅜
4⅛	3⅛	AMCA	.12e	3.3	9	113	3⅝	3½	3⅝	+ ⅛
6⅛	3⅞	AM Intl			9	300	4	3⅞	4	+ ⅛
23½	16⅝	AM In pf	2	11.		118	18½	18¼	18⅜	+ ¼
107¼	52⅛	AMR			7	5296	59⅛	57¼	58	– 1⅛
27	25	ANR pf	2.67	10.		51	26¼	26¼	26¼	+ ⅛
6¼	3⅛	ARX				43	3½	3⅜	3⅜	– ⅛
59¼	38¼	ASA	3a	5.3		443	57⅞	56⅝	57⅛	
31⅞	16¼	AVX	.24	.7	32	6289	u33¼	32⅛	33	+ 1⅛
70⅜	46¼	AbtLab	1.40	2.0	19	2576	69¼	68½	68⅞	+ ¼
18¼	11⅜	Abitibi g	.50			30	11⅝	11½	11⅝	+ ⅛
13	9¼	AcmeC	.40	3.5	15	28	11½	11⅜	11⅜	– ⅛
9¾	8	AcmeE	.32	3.6	12	2	9⅛	9⅛	9⅛	– ⅛
38½	22	Acuson			20	1433	30⅜	30⅛	30⅛	– ¼
18½	12⅞	AdaEx	2.06e	13.		71	16⅜	16¼	16⅜	
15⅜	6⅛	Adobe				278	12⅞	12⅝	12⅞	
20¼	16½	Adob pf	1.84	9.6		29	19⅛	19	19⅛	
10½	7⅛	AMD				5065	7⅞	7½	7⅞	
35	28½	AMD pf	3	10.		3	29¾	29¾	29¾	
[illegible]										

Continued on Page 41

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21½	16⅛	ZenNI	.06		4.5	9 43	18⅝	18⅝	18⅝	+ ⅛
10	6½	Zenix	1.20	16.		190	7½	7⅛	7½	+ ⅛
18½	13⅜	Zero s	.40	2.3	16	89	17⅛	17	17⅛	+ ⅛
44⅛	25¼	Zurnin	.75	1.8	20	350	43⅝	43	43⅛	− ⅝
12⅞	10	Zweig	1.21e	9.9		548	12⅛	12⅛	12⅛	
9⅞	8⅛	ZweigTl	.88	9.9		1109	9⅞	9⅛	9⅛	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices January 9

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pitway A	.17e		17	37½	d36¼	37	−1
PlyGem	.12	11	34	11⅛	11	11	
Pread B		194	12	8	7⅞	7⅞	− ⅛
Pread A	.10		980	8	6⅞	8	
ProCm s			574	6⅛	6⅛	6⅛	+ ⅛
ProfCre		13	12	6⅛	5⅞	5⅞	
− R−R −							
Ragan	.12		22	20¾	20½	20¾	+ ¼
ReCap		13	19	15	15	15	
Riedel		20	8	11¼	11	11	− ¼
− S−S −							
SJW	1.82	17	8	26⅞	26⅞	26⅞	− ⅛
Salem		2	62	6½	6⅛	6½	+ ½
Scheib	.36	68	25	13½	13¼	13½	+ ¼
SiknsA	.24	12	511	13⅜	12⅞	13⅛	+ ⅛
Spelling		30	32	12	12	12	− ⅛
StarlEl	.08e	8	43	2½	2⅛	2⅛	
StarSR		12	45	8⅞	8⅝	8⅞	
Synaloy	.40	8	28	10⅛	10	10	− ⅛
− T−T −							
TIE			222	1⅛	1⅛	1⅛	
TII			2	1⅞	1⅞	1⅞	− ⅛
TabPrd	.20	20	110	14½	14⅛	14½	+ ½
TandyB		15	626	22	21⅞	21⅞	+ ⅜
TelDta	.20	130	389	45⅞	45⅜	45⅜	− ⅜
Teleaph			305	3⅛	3⅛	3⅛	− ¼
TexAir			12347	10⅛	d 9⅞	10	+ ⅛
Thermd		154	51	14	13⅞	13⅞	
Thrine		31	88	18½	18⅛	18⅛	
TotlPet	.20	11	21	28⅞	28⅞	28⅞	
TwCity		21	76	6⅝	6⅞	6⅝	− ⅛
TriSM		21	2	18⅞	18⅞	18⅞	− ⅛
TubMex			353	6⅛	6⅛	6⅛	
− U−U −							
Unicorp			115	2⅛	2⅛	2⅛	− ⅛
UFoodA		8	34	2⅝	2⅝	2⅝	
UFoodB		8	51	2⅞	2⅞	2⅞	
US Cell			50	33	32⅛	32⅛	− ⅛
UnvPat			102	5⅞	5½	5⅞	− ⅛
− V−W −							
VIRsh		5	25	2⅞	2⅛	2⅛	
WangB			780	5	4⅞	4⅞	
Winard			299	4⅞	4⅝	4⅞	
WellAm			2	⅞	⅞	⅞	
WelGrd			21	3½	3⅞	3⅞	− ⅛
WAmBc	.40	19	104	23⅛	22⅞	23	− ⅛
WDigitl		14	657	9⅞	9⅛	9⅛	− ⅛
WIRET	1.40	17	29	18⅞	18	18	− ⅛
Worthn		14	2	11½	11½	11½	− ⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Cominc	.60e	18	18	23⅞	23⅝	23⅝	
Cmptrn		10	12	3¼	3⅛	3¼	− ⅛
ConcdF		4	14	4⅞	4⅛	4⅛	− ¼
Congst			151	2⅛	2⅛	2⅛	
ContMtl			2	16½	16½	16½	− ⅛
Coron	.05e		424	9	8⅞	9	+ ⅛
Cross	1.24	17	59	35	34⅞	35	+ ¼
CrnCP	1.10e	8	15	32⅞	32	32	− ⅝
CrCPB	1.10e	8	19	30⅞	30⅞	30½	− ⅛
Cubic	.42	6	43	17	16¾	16¾	− ¼

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
HerltEn			201	1⅛	1⅛	1⅛	+ ⅛
HershO		139	29	6⅞	6⅝	6⅝	
HollyCp	.40a	8	32	28⅞	28⅞	28⅞	− ⅛
HomeSh			5122	9⅛	8½	8⅝	− ⅜
Hormel	.52	19	273	34	33½	33⅞	+ ⅜
HrnHar			142	6⅝	6⅛	6⅛	− ⅛
HovnEn		7	29	6⅞	6⅞	6⅞	
− I−I −							
ICH		12	376	5½	5⅛	5⅛	− ⅛
ISS	.24	17	12	9⅞	9⅞	9⅞	− ⅛

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Oldsn s	.24	13	40	18⅛	18⅛	18⅛	
OOkiep	1.75e	3	21	10½	10½	10½	
PallCp	.48	24	175	35½	34½	35	− ⅛
PegGld	.10e	32	423	14⅛	13⅞	14	+ ⅛
PerinIC	.80	57	2	34⅞	34⅞	34⅞	
PtHeat	1.68		9	15⅛	15⅛	15⅛	− ⅛
PhILD	.15e	9	565	17⅛	16⅞	16⅞	+ ⅛
PionrSy			10	⅛	⅛	⅛	
PitDsm	.80	12	2	28½	28½	28½	+ ⅛
Pitway	n.15e		14	u44	44	44	+ ⅛

NASDAQ NATIONAL MARKET

3pm prices January 9

Stock	Div.	Sales 100s	High	Low	Last	Chng
Xicor		7 526	4	3⅞	3⅞	− ⅛
YanEnS	.76e	12 78	21¼	20½	20½	− ⅛
YelowF	.76	12 177	25½	25	25	− ⅛
YorkRs		21 1994	u11⅞	10	11⅞	+ 1⅛

FINANCIAL TIMES
Wednesday January 10 1990

AMERICA

Start of interim results season dampens mood

Wall Street

THE START of the quarterly results season kept most investors on the sidelines on Wall Street, as fears of nasty earnings surprises offset hopes of reaching a new high in the near future, *writes Anatole Kaletsky in New York.*

Most equity prices opened slightly down on profit-taking after the late rally on Monday, which had left the Dow Jones Industrial Average up 21.12 points. By late morning, however, the buyers were showing renewed interest, especially in technology stocks, but at 2 pm, the Dow was down 4.05 at 2,790.32, after encountering resistance just above the 2,800 level.

In spite of the gain in the Dow, which was matched by other market averages, analysts continued to express disappointment at the lack of breadth in this month's rally. Declines continued to outnumber gains by a narrow margin throughout the morning and volume was moderate, with 88m shares traded by 1.15 pm.

Equity investors received no guidance from the bond market, where prices remained virtually unchanged along the entire length of the yield curve. The Treasury's benchmark long bond was quoted at 100⅔, down ⅛ to yield 8.08 per cent. Federal Funds traded throughout the morning at 8¼ per cent and showed no reaction to a $2bn round of customer repurchase agreements executed by the Federal Reserve.

Most blue chip stocks were little changed outside the resurgent technology sector. Philip Morris was up $½ at $41¼ in heavy trading and Coca-Cola rose $¼ to $77⅝. IBM also traded within a narrow range, rising only $¾ to $100¾, but other computer and semiconductor stocks saw more lively activity.

Digital Equipment advanced $1½ to $89¼, Texas Instruments rose $⅞ to $36⅝ and Intel gained $1⅛ to $37⅛, adding to a $½ gain on Monday. Intel's bigger-than-average advance was attributed to the company's announcement of a new mini-supercomputer on Monday.

The same announcement came as a severe blow to Cray Research, the world's leading supercomputer manufacturer, which fell $1¼ to $37⅝, after losing $2¼ the day before. Some computer analysts said Intel's new product would have no impact on Cray's market for much more powerful and expensive machines, but investors seemed unimpressed and trading in Cray shares was four times busier than on an average day.

International Paper was the biggest company to report fourth quarter results yesterday. IP fell $¾ to $56⅝. Other commodity industrial producers were also narrowly mixed.

Paramount Communications, which reported an operating loss of 11 cents a share in the fourth quarter, compared with a profit of 66 cents the year before, fell $⅝ to $50⅞. MGM-UA, which cut its net loss before extraordinary items to 7 cents a share from 78 cents, advanced by $¼ to $15½.

The only special situation of note was UAL, which announced that it was asking First Boston to come up with a plan for a leveraged capitalisation. The shares gained $7⅜ to $164, in spite of the fact that both the pilots and the flight attendants' unions expressed opposition to a restructuring which did not give employees partial control of the group.

Canada

SLUGGISH turnover left Toronto stocks slightly higher in early trading, with the composite index up 2.5 at 3,973.6. Advances were leading declines by 96 to 82.

Campeau gained 15 cents to C$2.75.

SOUTH AFRICA

PROFIT-TAKING in mining shares emerged in Johannesburg after Monday's sharp rise. The JSE Industrial index, however, gained 33 to another record of 2,966.

EUROPE

Record highs bring spice to a mixed continental bag

THE Continent was peppered with record highs yesterday, in trading influenced by activity abroad and political developments at home, *writes Our Markets Staff.*

FRANKFURT saw end-1989 patterns repeat themselves as prices followed heavy overnight buying of German shares by Japanese traders in Tokyo. At mid-session, the FAZ index hit a record of 776.08, up 9.77, and the DAX index rose another 22.70 to 1,865.94.

Turnover was a near-record DM12.9bn. Banks and carmakers, some of which are listed in Tokyo, led the market with Deutsche Bank up DM24.50 at DM857.50 and Daimler DM22 higher at DM859.

In the engineering sector, Linde climbed DM12 to DM900 and KHD rose DM9 to DM252, but there were some drop-outs as Mannesmann, which posted strong gains in December, fell DM4.50 to DM362.50, and Deutsche Babcock eased DM2.20 to DM229.80 on fears of a drastic dividend cut for fiscal 1989.

Another area of specific concern was the computer group Nixdorf, which tumbled DM16.50 or 5 per cent to DM292.50 after a DM6.50 drop on Monday, following unconfirmed press reports of a DM1bn loss for 1989.

STOCKHOLM welcomed a Cabinet reshuffle, which suggested that the Government was relaxing its policy on reducing nuclear power. Shares rose in busy trading, with the Affärsvärlden General index up 22.7, or 1.8 per cent, at 1,314.8. Turnover was SKr646m, up from Monday's SKr438m.

The transfer of responsibility for energy from Environment Minister Birgitta Dahl, who supports the phasing out of nuclear power, to Mr Rune Molin was seen as positive news for industry. Companies which consume a large amount of electricity, such as those in the forestry sector, made strong gains, with the paper and pulp company MoDo rising SKr12 to SKr310.

Ericsson, the telecommunications group, gained SKr9 to SKr939 in the day's largest turnover of SKr69m. It said on Monday that it had won an order for its AXE telephone exchange system from India.

PARIS began nervously but recovered to end marginally higher. The prospect of higher interest rates still hung over the market, but sentiment improved somewhat as the French franc held steady and as CGE, which led Monday's falls, levelled out.

Volume was estimated at a fairly subdued FFr2.7bn, suggesting that the predominant tone was one of caution.

The CAC 40 index closed 1.33 higher at 1,970.28. CGE, a significant component of the index, fell a further FFr7 to FFr526 after FFr18 on Monday, but it closed above its day's low of FFr522. Much of Monday's selling came from the US, apparently on rumours of a big rights issue, but yesterday those rumours faded.

Groupe Victoire fell heavily for a second day, down FFr210 at FFr1,910, after the guaranteed price for minority shareholders to sell their stakes to Suez expired last Friday.

Eurotunnel moved up FFr3.30 to FFr66.15 following Monday's progress in resolving the financing problems of the Channel tunnel project.

AMSTERDAM was relieved to have some corporate news to respond to, and shares rallied by about 1.5 per cent. The CBS tendency index was up 1.9 at 118.9 in moderate turnover worth Fl 780m.

Press reports that Elsevier and VNU, the publishers, were discussing taking a stake in RTL-Veronique, a new commercial television station, sent their shares up Fl 2.50 to Fl 82.50 and Fl 4.50 to Fl 111.50.

Nijverdal-Ten Cate, the plastics and textile group, rose Fl 3.70 to Fl 93.20 for a two-day jump of 10.7 per cent on its better 1989 profit forecast. Ahrend, the office furniture company, gained Fl 10 to Fl 265.50, a two-day rise of 11 per cent, on speculation that Bührmann Tetterode was raising its 51.5 per cent stake.

Philips added Fl 1 to Fl 46.70 after reporting a strong improvement in 1989 profits.

MILAN again edged up, the Comit index closing 0.76 higher at 702.83 as foreign demand for bank shares offset some selling of industrial blue chips. Renewed confidence in Italian economic prospects after the lira's move to the narrow EMS band left Banco di Roma L89 higher at L2,350, BCI up L141 at L5.260 and Nuovo Banco Ambrosiano L131 better at L5,020.

ZURICH lost momentum after a good start, and the Crédit Suisse index closed 3.4 higher at 629.2. Foreign investors took profits and there were reports of some switching into Frankfurt.

In chemicals, Roche certificates added SFr10 to SFr3,680 before news that 1989 turnover rose by 21 per cent, and that profits should rise by a substantially higher margin.

VIENNA rose to record levels, as domestic and local investors carried on with Monday's buying spree. The bourse index gained 15.09, or 2.6 per cent, to 589.5, passing the previous peak set on January 3.

ISTANBUL continued to surge, climbing 198 points, or 7.8 per cent, to 2,739.55 on the stock exchange index, its second consecutive record.

COPENHAGEN reached another record high, with the bourse index up 0.28 at 364.79.

Currency moves hold key to varied fourth quarter

By Alison Maitland

EXCHANGE rate movements played a leading role in the fourth quarter performance of world equity markets, as European currencies rose strongly against the dollar and sterling.

As a result, sterling and dollar investors made the bulk of their gains in continental Europe from currency rather than share price movements. The FT-Actuaries index for Europe excluding the UK rose by a meagre 1.9 per cent in local currency terms, but the sterling advance was 11.5 per cent and the dollar gain was 11.3 per cent.

During the quarter, European currencies, weighted by their stock markets' capitalisation, rose by 5.4 per cent against the pound and by 5.2 per cent against the dollar, according to figures from County NatWest WoodMac. The D-Mark alone rose 10.8 per cent against sterling.

Among the most notable European market performers, West Germany advanced by 11 per cent in local terms and 23 per cent in sterling and dollar terms, while Denmark gained 9.7 per cent in local terms and nearly 22 per cent in sterling and dollar terms.

Austria was up just 2 per cent in local currency terms, but 13 per cent in sterling and dollar terms.

A similar story can be told of South Africa, where the financial rand rose by 12 per cent against sterling and the dollar during the fourth quarter. As a result, South Africa's already strong advance of 10.8 per cent in local currency terms was translated into sterling and dollar gains of 24 per cent.

The currency effect worked against sterling and dollar investors in the Pacific Basin, however, largely because of the weakness of the yen – down 2.8 per cent against sterling and 2.9 per cent against the dollar. The Japanese market added 5.9 per cent in yen terms, but that was reduced to 2.9 per cent in sterling and 2.8 per cent in dollar terms.

Thus the Pacific Basin index rose 5.4 per cent in local terms – the best performing region – but only 2.7 per cent in sterling and 2.6 per cent in dollar terms. Some other Pacific currencies, however, rose against the dollar and sterling – with the result that a local currency loss of 1.9 per cent in the Pacific ex-Japan index was trimmed to a fall of 0.6 per cent in sterling and 0.7 per cent in dollar terms.

The dollar was up a fraction against the pound during the quarter, so that sterling investors gained 0.9 per cent in the US market, against a local currency rise of 0.8 per cent; and dollar investors made 3.8 per cent in a UK market that rose 3.9 per cent.

The local currency World index put on just 3.2 cent, compared with a strong advance of 8.9 per cent in the third quarter and a gain of 5.8 per cent in the final quarter of 1988.

The strongest market was Malaysia, which climbed 12.9 per cent, followed by West Germany (11 per cent) and South Africa (10.8 per cent). The poorest performers were New Zealand (−12.8 per cent) and Spain (−10.6 per cent).

As the table shows, West Germany's share of world capitalisation rose sharply during the quarter, from 3.11 per cent to 3.72 per cent.

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World Indices as at DECEMBER 29, 1989 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter.
The percentage change for each Dollar index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS (Figures in parentheses show number of stocks per grouping)	Market capitalisation as at DECEMBER 29, 1989 (US$m)	% of World Index	Market capitalisation as at SEPTEMBER 29, 1989 (US$m)	% of World Index	% change in $ index since DECEMBER 30, 1988
Australia (85)	100683.7	1.33	100485.2	1.38	+4.77
Austria (19)	10184.1	0.13	8922.5	0.12	+89.91
Belgium (63)	50371.0	0.66	47087.5	0.65	+14.48
Canada (120)	157466.2	2.07	156904.4	2.15	+21.21
Denmark (36)	24139.6	0.32	19504.9	0.27	+42.16
Finland (26)	3523.3	0.05	3212.0	0.04	+1.86
France (126)	217358.3	2.86	190182.0	2.61	+35.63
West Germany (96)	282461.6	3.72	227033.3	3.11	+40.65
Hong Kong (46)	51768.2	0.68	51457.2	0.71	+4.77
Ireland (17)	9719.6	0.13	8533.4	0.12	+37.76
Italy (97)	114031.9	1.50	108588.2	1.49	+15.63
Japan (455)	3150654.1	41.52	3035328.6	41.59	+3.06
Malaysia (36)	7623.0	0.10	6748.6	0.09	+59.61
Mexico (13)	6432.0	0.08	6086.0	0.08	+101.10
Netherland (43)	106597.9	1.40	94839.4	1.30	+28.01
New Zealand (18)	10118.1	0.13	11380.8	0.16	+6.64
Norway (24)	6112.4	0.08	5426.0	0.07	+43.85
Singapore (26)	14426.5	0.19	13123.7	0.18	+41.66
South Africa (60)	56320.6	0.74	46061.6	0.63	+68.19
Spain (43)	74005.8	0.98	75951.3	1.04	+9.90
Sweden (35)	27690.8	0.36	26217.8	0.36	+32.81
Switzerland (62)	85720.1	1.13	82159.2	1.13	+20.47
United Kingdom (303)	666392.3	8.78	641345.0	8.79	+17.28
USA (542)	2355376.8	31.04	2331596.4	31.95	+26.39
Europe (990)	1678309.1	22.11	1539002.6	21.09	+24.13
Nordic (121)	61466.2	0.81	54360.7	0.74	+34.17
Pacific Basin (668)	3335273.5	43.95	3216524.1	44.10	+3.36
Euro–Pacific (1658)	5013582.6	66.06	4757526.7	65.19	+9.53
North America (662)	2512843.0	33.11	2488500.8	34.10	+26.05
Europe Ex. UK (687)	1011916.8	13.33	897657.6	12.30	+29.04
Pacific Ex. Japan (213)	184619.5	2.43	183195.5	2.51	+8.32
World Ex. US (1851)	5233801.3	68.96	4966578.7	68.05	+10.33
World Ex. UK (2090)	6922785.9	91.22	6656830.1	91.21	+14.91
World Ex. So. Af. (2333)	7532857.6	99.26	7252113.5	99.37	+14.84
World Ex. Japan (1938)	4438524.1	58.48	4262846.6	58.41	+25.09
The World Index (2393)	7589178.2	100.00	7298175.1	100.00	+15.11

ASIA PACIFIC

Weaker yen and bonds undermine Nikkei

Tokyo

SHARE prices dropped in Tokyo yesterday as investors took fright in the face of further weakness in the yen, a sharp drop in the bond market and rumours of yet another political scandal, *writes Michiyo Nakamoto in Tokyo.*

Volume was thin, indicating that the fall came because of a lack of buying, rather than as a result of panic selling. At 543m shares, turnover barely rose above the 530m traded on Monday.

The Nikkei average fell below the 38,000 mark, closing 343.50 lower at 37,951.46. It had peaked at 38,296.63 before plunging more than 500 points to a low of 37,729.85. Declines outnumbered advances by 606 to 306, with 207 unchanged. The broader Topix index lost 16.87 to 2,817.24 and, in London, the ISE/Nikkei 50 index fell 2.32 to 2,108.21.

The fall in the bond market was a heavy blow. "Investors are not likely to buy actively on the stock market unless the bond market stabilises," said Mr Shoin Yokoyama at Crédit Suisse Investment Advisory Co. He warned that equities were likely to enter a danger zone if bond prices fell further.

The yen's persistent downtrend was another concern. With national elections in February, the currency is not likely to see much support for some time. Talk emerged of another increase in the official discount rate, following a rise on Christmas Day. Selling in arbitrage with the futures market also contributed to the Nikkei's fall.

In addition, the market's nerve was tested by rumours that a leading member of the ruling Liberal Democratic Party had been arrested for alleged suspicious stock trading activities; the suspected politician denied the speculation.

In this environment, equity interest moved from the first section to the second section of the stock market, and to the over-the-counter market where trading has been buoyant recently.

On the first section, interest was seen in smaller companies which had underperformed or had good fundamentals. Fuji Electric, a heavy electric machinery maker, topped the actives list with 15.1m shares and gained Y20 to Y1,260. It was favoured for its strong sales record this year and was regarded as a laggard.

Sanyo Electric was second most active with a volume of 10.3m shares. It rose Y10 to Y1,030. Sanyo has been popular for its plans to manufacture refrigerators and compressors in the Soviet Union and video cassettes in East Germany. It was also pursued as a low-priced issue.

Osaka saw a 98.42-point decline to 38,785.35 in the OSE average; volume remained sluggish at 48m shares, although this was better than the 35.9m traded on Monday.

Roundup

GOOD and bad news were in contention yesterday as the cut in the US prime rate, which lifted some Pacific Basin markets, was followed by the fall in Tokyo share prices.

HONG KONG saw its heaviest trading in more than three weeks on the US news and on rumours that Peking's martial law may be lifted before Chinese new year in late January, but early gains were eroded by the drop in Tokyo. The Hang Seng index closed 5.92 up at 2,832.16, after a gain of 22 in the first 15 minutes of trading.

Turnover was HK$1.1bn, against HK$465m on Monday; about a third of yesterday's figure represented the unwinding of cross-holdings between major shareholders of Allied Properties (HK) and Tomson Investment.

TAIWAN fluctuated after reports of financial difficulties in the Hung Yuan group, the biggest underground investment house. The weighted index opened 275.23 down at 9,689.49, rebounded nearly 400 to 10,075.64 by noon and slipped later to end 159.32, or 1.6 per cent, lower at 9,805.40.

Hung Yuan denied that it had problems. Volume rose to 792m shares and NT$120bn from 777m and NT$113bn.

AUSTRALIA eased as wavering hopes on domestic interest rates and the absence of offshore buying left the All Ordinaries index another 9.1 lower at 1,690.6. Volume was about average.

NEW ZEALAND saw the Barclays index lose another 29.97 to 2,005.90 in very light trading.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 8 1990						FRIDAY JANUARY 5 1990			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989/90 High	1989/90 Low	Year ago (approx)
Australia (84)	155.52	−0.8	139.45	131.63	−0.7	5.18	156.77	141.89	132.58	160.41	128.28	146.06
Austria (19)	210.84	+3.1	189.05	182.86	+1.4	1.33	204.59	185.18	180.38	210.84	92.84	94.62
Belgium (63)	159.17	+0.9	142.72	137.58	−0.4	4.04	157.71	142.75	138.07	159.17	125.58	131.76
Canada (120)	152.46	−0.5	136.70	128.06	−0.4	3.13	153.15	138.62	128.59	154.17	124.67	128.53
Denmark (36)	246.77	+1.1	221.26	217.74	+0.3	1.44	244.09	220.93	217.11	246.77	165.35	157.93
Finland (26)	137.30	+0.8	123.11	114.85	+0.1	2.43	136.14	123.22	114.71	159.16	118.63	126.35
France (125)	156.40	−0.5	140.23	139.59	−1.3	2.70	157.12	142.21	141.47	157.97	112.57	116.22
West Germany (96)	129.58	+2.2	116.19	112.44	+1.5	1.87	126.81	114.78	110.82	129.58	79.58	88.01
Hong Kong (48)	116.51	−0.8	104.47	116.85	−0.8	4.88	117.43	106.29	117.79	140.33	88.41	116.74
Ireland (17)	196.69	+1.6	176.36	175.35	+0.6	2.48	193.67	175.29	174.31	196.69	125.00	127.19
Italy (96)	101.86	+1.3	91.34	95.07	+0.2	2.40	100.59	91.04	94.90	101.86	74.97	84.22
Japan (455)	193.71	−0.2	173.69	176.39	+0.0	0.46	194.18	175.76	176.44	200.11	164.22	192.92
Malaysia (36)	234.29	+0.1	210.08	243.81	+0.0	2.19	233.98	211.78	243.89	235.69	143.35	147.21
Mexico (13)	334.64	+1.3	300.05	982.74	+1.3	0.53	330.46	299.11	970.11	334.64	153.32	160.58
Netherland (43)	144.06	+0.2	129.17	123.87	−0.5	4.31	143.82	130.17	124.49	145.66	110.63	111.85
New Zealand (18)	74.44	−0.3	66.74	65.97	−0.5	5.34	74.65	67.57	66.28	86.18	62.64	68.93
Norway (24)	214.74	+0.3	192.55	189.24	−0.5	1.44	214.01	193.71	190.19	214.74	139.92	147.93
Singapore (26)	187.46	+0.8	168.08	163.70	+0.2	1.78	185.94	168.29	163.38	187.46	124.57	130.75
South Africa (60)	207.47	+2.2	186.03	163.42	+3.1	3.46	203.01	183.75	158.48	207.47	115.35	115.35
Spain (43)	163.85	+0.1	146.92	135.30	−0.1	3.90	163.77	148.23	135.48	169.75	143.14	146.37
Sweden (35)	204.29	+2.0	183.17	185.38	+1.2	1.85	200.30	181.30	183.25	204.29	136.45	144.57
Switzerland (62)	96.90	+0.7	86.89	91.52	−0.1	1.95	96.25	87.12	91.62	96.98	67.81	78.02
United Kingdom (306)	163.94	+0.5	146.99	146.99	−0.5	4.27	163.15	147.67	147.67	163.94	133.28	134.70
USA (542)	143.17	+0.4	128.38	143.17	+0.4	3.27	142.55	129.03	142.55	146.29	112.13	114.42
Europe (991)	146.59	+0.7	131.44	129.75	−0.1	3.27	145.50	131.70	129.90	146.59	112.63	114.21
Nordic (121)	195.84	+1.4	175.60	168.14	+0.6	1.68	193.11	174.79	167.15	195.84	137.95	141.15
Pacific Basin (667)	189.41	−0.3	169.83	172.40	−0.1	0.70	189.91	171.89	172.51	194.72	160.44	187.87
Euro–Pacific (1658)	172.48	+0.1	154.65	155.39	−0.1	1.59	172.33	155.98	155.52	174.18	141.56	158.37
North America (662)	143.63	+0.4	128.78	142.22	+0.4	3.26	143.08	129.51	141.67	146.66	112.79	115.17
Europe Ex. UK (685)	134.66	+0.9	120.74	119.19	+0.1	2.60	133.43	120.77	119.05	134.66	96.30	101.17
Pacific Ex. Japan (212)	137.73	−0.6	123.49	122.70	−0.6	4.71	138.56	125.41	123.47	140.05	111.93	127.51
World Ex. US (1851)	172.22	+0.1	154.42	154.81	−0.1	1.66	172.06	155.73	154.89	173.77	141.49	156.91
World Ex. UK (2087)	160.48	+0.2	143.89	151.23	+0.2	1.95	160.20	145.00	150.99	162.00	136.98	141.18
World Ex. So. Af. (2333)	160.48	+0.2	143.89	150.71	+0.1	2.15	160.18	144.99	150.59	161.84	136.67	140.74
World Ex. Japan (1938)	145.37	+0.5	130.35	137.69	+0.2	3.32	144.65	130.92	137.43	145.52	114.51	115.38
The World Index (2393)	160.76	+0.2	144.15	150.79	+0.1	2.16	160.44	145.22	150.64	162.05	136.68	140.58

Constituent change 9/1/90: Deletion: Hoboken-Overpelt (Belgium). Latest prices were unavailable for this edition.